

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



**FORM 10-K/A**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2013

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 001-11241

**CATERPILLAR FINANCIAL SERVICES CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation  
or organization)

**37-1105865**  
(I.R.S. Employer Identification No.)

**2120 West End Ave.,**  
**Nashville, Tennessee**  
(Address of principal executive offices)

**37203-0001**  
(Zip Code)

Registrant's telephone number, including area code: **(615) 341-1000**

The Registrant is a wholly-owned subsidiary of Caterpillar Inc. and meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K, and is therefore filing this Form with the reduced disclosure format.

Securities registered pursuant to Section 12(b) of the Act:

**Title of each class**

Medium-Term Notes, Series G,  
2.05% Notes Due 2016

**Name of each exchange  
on which registered**

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of February 18, 2014, one share of common stock of the registrant was outstanding, which is owned by Caterpillar Inc.

## EXPLANATORY NOTE

In preparing Caterpillar Financial Corporation's (together with its subsidiaries, "Cat Financial," "the Company," "we" and "our") consolidated financial statements for the quarter ended September 30, 2014, we identified immaterial errors impacting our previously issued financial statements, which led to the discovery of deficiencies in our internal control over financial reporting. We evaluated these control deficiencies, together with previously identified control deficiencies and concluded that a material weakness relating to our Allowance for credit losses existed as of September 30, 2014. This caused us to reevaluate our previous conclusions on internal control over financial reporting as of December 31, 2013, and we have now concluded that the material weakness relating to our Allowance for credit losses existed as of December 31, 2013. As a result, we have restated our December 31, 2013 report on internal control over financial reporting included in this Form 10-K/A, and we have also concluded that our disclosure controls and procedures were not effective as of December 31, 2013.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We identified the below material weakness in our internal control over financial reporting as of September 30, 2014 and also determined that this material weakness existed as of December 31, 2013.

We did not design and maintain effective internal controls over the accuracy and completeness of information about loans identified as being impaired, which are used in evaluating the adequacy of our Allowance for credit losses. Specifically, we did not design or implement controls necessary to monitor the effectiveness of subsidiary level controls relating to compliance with Company policies and procedures for evaluating loans for impairment.

The material weakness described above resulted in immaterial errors impacting our previously issued financial statements for the interim periods ended June 30, 2014 and March 31, 2014 and the interim and annual periods ended December 31, 2013, 2012 and 2011. The net impact on Profit of these errors relating to Allowance for credit losses, together with other unrelated immaterial errors as described in Note 1 to the consolidated financial statements, was an overstatement/(understatement) of Profit of (\$2 million) and \$5 million for the three months ended June 30, 2014 and March 31, 2014, respectively, and \$17 million, \$4 million, and \$4 million for the years ended December 31, 2013, 2012, and 2011, respectively. We evaluated these errors and concluded that they did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements.

Notwithstanding the material weakness described above, we have concluded that our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2014 and March 31, 2014, as previously filed with the Securities and Exchange Commission ("SEC"), are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented and that they may still be relied upon. The revisions to correct the identified immaterial errors are reflected in the revised consolidated financial statements included in this Form 10-K/A and in concurrently filed Forms 10-Q/A for the quarters ended June 30, 2014 and March 31, 2014.

In response to the material weakness relating to our Allowance for credit losses, the Company has developed and is executing a remediation plan with the oversight of our Chief Executive Officer and Chief Financial Officer as described below.

The following actions have been taken to strengthen our internal controls and organizational structure:

- The Company has replaced a member of management, responsible for ensuring compliance with Company policies and procedures related to identifying and evaluating loans for impairment, at the subsidiary location where the control failure was identified.
- Cat Financial corporate management performed a subsidiary level review to identify any other subsidiaries not complying with policies and procedures related to identifying and evaluating loans for impairment. As a result of this review, we discovered one additional international subsidiary that was providing incomplete credit loss reporting as a result of a control deficiency at that subsidiary location. The impact of this control deficiency has been included in the evaluation and conclusions documented above. No other such control deficiencies were identified.
- The Company has conducted training sessions for our local subsidiary management responsible for reinforcing the understanding of our policies and procedures that impact the Allowance for credit losses at the subsidiaries where the control deficiencies were identified.

The Company also currently anticipates further improving its policies and procedures by:

- Strengthening our oversight controls to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses. Those oversight controls will be designed to operate at a level of precision sufficient to detect an error resulting from a related control failure at the subsidiary level before it results in a material misstatement of our consolidated financial statements; and
- Strengthening our testing of controls designed to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses to provide effective and timely identification of control deficiencies.

This Form 10-K/A amends Management's Report on Internal Control Over Financial Reporting for the year ended December 31, 2013 as originally filed with the SEC on February 18, 2014 (the "Original Filing"). This Form 10-K/A also amends the Original Filing to correct immaterial errors as described in Note 1 to the consolidated financial statements. Revisions to the Original Filing have been made to the following items solely as a result of and to reflect these revisions:

- Item 1A - Risk Factors
- Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 8 - Financial Statements and Supplementary Data
- Item 9A - Controls and Procedures
- Item 15 - Exhibits

In accordance with applicable SEC rules, this Form 10-K/A includes certifications from our Chief Executive Officer and Chief Financial Officer dated as of the date of this filing.

Except for this amendment, no other changes have been made to the Original Filing. This Form 10-K/A continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that have occurred after the Original Filing date, or to modify or update those disclosures affected by subsequent events.

Concurrently with the filing of this Form 10-K/A, we are also filing amendments to our Forms 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014. Future Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q will reflect the revisions for financial information included in this Form 10-K/A and the Forms 10-Q/A for the quarterly periods ended March 31, 2014 and June 30, 2014.

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## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this amended Annual Report on Form 10-K/A may be considered "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements may relate to future events or our future financial performance, which may involve known and unknown risks and uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by any forward-looking statements. From time to time, we may also provide forward-looking statements in oral presentations to the public or in other materials we issue to the public. Forward-looking statements give current expectations or forecasts of future events about the company. You may identify these statements by the fact that they do not relate to historical or current facts and may use words such as "believes," "expects," "estimates," "anticipates," "will," "should," "plan," "project," "intend," "could" and similar words or phrases. These statements are only predictions. Actual events or results may differ materially due to factors that affect international businesses, including changes in economic conditions and disruptions in the global financial and credit markets, and changes in laws and regulations (including regulations implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act) and political stability, as well as factors specific to Cat Financial and the markets we serve, including the market's acceptance of our products and services, the creditworthiness of our customers, interest rate and currency rate fluctuations and estimated residual values of leased equipment. These risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K/A and could cause results to differ materially from those projected in the forward-looking statements. Cat Financial undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You may, however, consult any related disclosures we may make in our subsequent Form 10-Q and Form 8-K reports filed with the SEC.

### **Item 1. Business.**

#### **General**

Caterpillar Financial Services Corporation was organized in 1981 in the State of Delaware (together with its subsidiaries, "Cat Financial," "the Company," "we" or "our"). We are a wholly-owned finance subsidiary of Caterpillar Inc. (together with its other subsidiaries, "Caterpillar" or "Cat") and our corporate headquarters is located in Nashville, Tennessee.

#### **Nature of Operations**

Our primary business is to provide retail and wholesale financing alternatives for Caterpillar products to customers and dealers around the world. Retail financing is primarily comprised of financing of Caterpillar equipment, machinery and engines. In addition, we also provide financing for vehicles, power generation facilities and marine vessels that, in most cases, incorporate Caterpillar products. We also provide wholesale financing to Caterpillar dealers and purchase short-term receivables from Caterpillar. The various financing plans offered by Cat Financial are primarily designed to increase the opportunity for sales of Caterpillar products and generate financing income for Cat Financial. A significant portion of our activities is conducted in North America. However, we have additional offices and subsidiaries in Asia/Pacific, Europe and Latin America. We have more than 30 years of experience in providing financing for Caterpillar products, contributing to our knowledge of asset values, industry trends, product structuring and customer needs.

The Company's retail leases and installment sale contracts (totaling 53 percent\*) include:

- Tax leases that are classified as either operating or finance leases for financial accounting purposes, depending on the characteristics of the lease. For tax purposes, we are considered the owner of the equipment (15 percent\*).
- Finance (non-tax) leases, where the lessee for tax purposes is considered to be the owner of the equipment during the term of the lease, that either require or allow the customer to purchase the equipment for a fixed price at the end of the term (19 percent\*).
- Installment sale contracts, which are equipment loans that enable customers to purchase equipment with a down payment or trade-in and structure payments over time (18 percent\*).
- Governmental lease-purchase plans in the U.S. that offer low interest rates and flexible terms to qualified non-federal government agencies (1 percent\*).

The Company's wholesale notes receivable, finance leases and installment sale contracts (totaling 14 percent\*) include:

- Inventory/rental programs, which provide assistance to dealers by financing their new Caterpillar inventory and rental fleets (5 percent\*).
- Short-term receivables we purchase from Caterpillar at a discount (9 percent\*).

The Company's retail notes receivable (33 percent\*) include:

- Loans that allow customers and dealers to use their Caterpillar equipment or other assets as collateral to obtain financing.

\*Indicates the percentage of total portfolio as of December 31, 2013. We define total portfolio as total net finance receivables plus equipment on operating leases, less accumulated depreciation.

### **Competitive Environment**

We operate in a highly competitive environment, with financing for users of Caterpillar equipment available through a variety of sources, principally commercial banks and finance and leasing companies. Our competitors include Wells Fargo Equipment Finance Inc., General Electric Capital Corporation and various other banks and finance companies. In addition, many of the manufacturers that compete with Caterpillar also own financial subsidiaries such as Volvo Financial Services, Komatsu Financial L.P. and John Deere Capital Corporation that utilize below-market interest rate programs (funded by the manufacturer) to assist machine sales. We work with Caterpillar to provide a broad array of financial merchandising programs around the world in order to offer below market interest rates.

We provide financing only when acceptable criteria are met. Credit decisions are based upon, among other factors, the customer's credit history, financial strength and intended use of equipment. We typically maintain a security interest in retail financed equipment and require physical damage insurance coverage on financed equipment. We continue to finance a significant portion of Caterpillar dealers' sales and inventory of Caterpillar products throughout the world (see Note 15 of Notes to Consolidated Financial Statements for more information regarding our segments and geographic areas). We participate in certain marketing programs sponsored by Caterpillar and/or Caterpillar dealers that allow us to offer financing to customers at interest rates that are below-market rates. Under these programs, Caterpillar, or the dealer, funds an amount at the outset of the transaction, which we then recognize as revenue over the term of the financing. These marketing programs provide us with a significant competitive advantage in financing Caterpillar products.

In certain instances, our operations are subject to supervision and regulation by state, federal and various foreign government authorities and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things, (i) regulate credit granting activities and the administration of loans, (ii) establish maximum interest rates, finance charges and other charges, (iii) require disclosures to customers and investors, (iv) govern secured transactions, (v) set collection, foreclosure, repossession and other trade practices and (vi) regulate the use and reporting of information related to a borrower's credit experience. Our ability to comply with these and other governmental and legal requirements and restrictions affects our operations.

We also have agreements with Caterpillar that are significant to our operation. These agreements provide us with certain types of operational and administrative support from Caterpillar such as the administration of employee benefit plans, financial support, funding support and various forms of corporate services that are integral to the conduct of our business. For more information on these agreements, please refer to Note 13 of Notes to Consolidated Financial Statements.

### **Employment**

As of December 31, 2013, the Company had 1,767 full-time employees, an increase of 1 percent from December 31, 2012.

### **Available Information**

The Company files electronically with the Securities and Exchange Commission ("SEC") required reports on Form 8-K, Form 10-Q, Form 10-K and registration statements on Form S-3 and other forms or reports as required. The public may read and copy any materials the Company has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxies and information statements and other information regarding issuers that file electronically with the SEC. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished with the SEC are available free of charge through Caterpillar's Internet site ([www.caterpillar.com/secfilings](http://www.caterpillar.com/secfilings)) as soon as reasonably practicable after filing with the SEC. Copies may also be obtained free of charge by writing to: Legal Dept., Caterpillar Financial Services Corporation, 2120 West End Ave., Nashville, Tennessee 37203-0001. In addition, the public may obtain more detailed information about our parent company, Caterpillar by visiting its Internet site ([www.caterpillar.com](http://www.caterpillar.com)). None of the information contained at any time on our Internet site, Caterpillar's or the SEC's Internet sites is incorporated by reference into this document.

## **Item 1A. Risk Factors.**

The statements in this section describe the most significant risks to our business and may contain "forward-looking statements" that are subject to the caption "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS" presented prior to Item 1 of this report. The statements in this section should also be considered carefully in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Notes to Consolidated Financial Statements" to this Form 10-K/A. The risk factors described below are a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business. These are factors that, individually or in the aggregate, we believe could make our actual results differ materially from expected or past results. Because it is impossible to predict or identify all such factors, the following factors should not be considered to be a complete discussion of risks and uncertainties.

### **Disruptions or volatility in global financial markets could adversely impact the industries and markets in which we serve and operate**

Global economic conditions may cause volatility and disruptions in the capital and credit markets. Should global economic conditions deteriorate or access to credit markets be reduced, we could experience reduced levels of liquidity and increased credit spreads in the markets we serve. Continuing to meet our cash requirements over the long-term could require substantial liquidity and access to sources of funds, including capital and credit markets. We have continued to maintain access to key global medium-term note and commercial paper markets, but there can be no assurance that such markets will continue to represent a reliable source of financing. If global economic conditions were to deteriorate, we could face materially higher financing costs, become unable to access adequate funding to operate and grow our business and/or meet our debt service obligations as they mature, and we could be required to draw upon contractually committed lending agreements primarily provided by global banks and/or by seeking other funding sources. However, under extreme market conditions, there can be no assurance that such agreements and other funding sources would be available or sufficient. Any of these events could negatively impact our business, results of operations and financial condition.

The extent of any impact on our ability to meet our funding or liquidity needs would depend on several factors, including our operating cash flows, the duration of any market disruptions, changes in counterparty credit risk, the impact of government intervention in financial markets including the effects of any programs or legislation designed to increase or restrict liquidity for certain areas of the market, general credit conditions, the volatility of equity and debt markets, our credit ratings and credit capacity and the cost of financing and other general economic and business conditions. Market disruption and volatility may also lead to a number of other risks in connection with these events, including but not limited to:



- Market developments that may affect customer confidence levels and may cause declines in the demand for financing and adverse changes in payment patterns, causing increases in delinquencies and default rates, which could impact our write-offs and provision for credit losses;
- The process we use to estimate losses inherent in our credit exposure requires a high degree of management's judgment regarding numerous subjective, qualitative factors, including forecasts of economic conditions and how economic predictors might impair the ability of our borrowers to repay their loans. If financial market disruption and volatility is experienced, the accuracy of these judgments may be impacted;
- Our ability to engage in routine funding transactions or borrow from other financial institutions on acceptable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations; and
- Because our counterparties are financial institutions, their ability to perform in accordance with any of our underlying agreements could be adversely affected by market volatility and/or disruptions in the equity and credit markets.

**Changes in government monetary or fiscal policies may negatively impact our results**

Most countries have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. Interest rate changes affect overall economic growth, which in turn affects Caterpillar's sales and our financing activities. Interest rate changes also affect customers' abilities to finance machine purchases, can change the optimal time to keep machines in a fleet and can impact the ability of Caterpillar's suppliers to finance the production of parts and components necessary to manufacture and support Caterpillar products. An increase in interest rates could result in lower sales of Caterpillar's products and adversely impact our business, results of operations and financial condition.

Central banks and other policy arms of many countries may take actions to vary the amount of liquidity and credit available in an economy. Changes in liquidity and credit policies could impact the customers and markets we serve or our suppliers, which could adversely impact our business, results of operations and financial condition.

Government policies on taxes and spending also affect our business. Throughout the world, government spending finances a significant portion of infrastructure development, such as highways, airports, sewer and water systems and dams. Tax regulations determine depreciation lives and the amount of money users of our products can retain, both of which influence investment decisions. Unfavorable developments, such as declines in government revenues, decisions to reduce public spending or increases in taxes, could negatively impact our results.

**Our global operations are exposed to political and economic risks, commercial instability and events beyond our control in the countries in which we operate**

Our global operations are dependent upon products manufactured, purchased, sold and financed in the U.S. and internationally, including in countries with political and economic instability. In some cases, these countries have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than in our other markets. Operating and seeking to expand business in a number of different regions and countries exposes us to a number of risks, including:

- Multiple and potentially conflicting legal and regulatory requirements that are subject to change, including but not limited to, those legal and regulatory requirements described in Item 1 of this report under the heading Competitive Environment;
- Increased exposure to currency fluctuations and imposition of currency restrictions, restrictions on repatriation of earnings or other similar restraints;
- Difficulty of enforcing agreements and collecting receivables through foreign legal systems;
- Difficulty in staffing and managing (including ensuring compliance with internal policies and controls) geographically widespread operations and the application of foreign labor regulations;
- Natural disasters, embargoes, catastrophic events and national and international conflict, including acts of terrorism; and
- Political and economic instability or civil unrest that may severely disrupt economic activity in affected countries, particularly in emerging markets.

The occurrence of one or more of these events may negatively impact our business, results of operations and financial condition.

**Failure to maintain our credit ratings would increase our cost of borrowing and could adversely affect our access to capital markets**

Caterpillar and Cat Financial's costs of borrowing and ability to access the capital markets are affected not only by market conditions but also by the short-term and long-term debt ratings assigned to our respective debt by the major credit rating agencies. These ratings are based, in significant part, on each of Caterpillar's and Cat Financial's performance as measured by financial metrics such as interest coverage and leverage ratios, as well as transparency with rating agencies and timeliness of financial reporting. There can be no assurance that Caterpillar or Cat Financial will be able to maintain their credit ratings and failure of either Caterpillar or Cat Financial to do so could adversely affect our cost of funds, liquidity, competitive position and access to the capital markets, including restricting, in whole or in part, our access to the commercial paper market. There can be no assurance that the commercial paper market will continue to be a reliable source of short-term financing for Cat Financial or an available source of short-term financing for Caterpillar. An inability to access the capital markets could have a material adverse effect on our cash flows, results of operations and financial condition.

**Changes in interest rates, foreign currency exchange rates or market liquidity conditions could adversely affect our earnings and/or cash flows**

Changes in interest rates, foreign currency exchange rates and market liquidity conditions could have a material adverse effect on our earnings and cash flows. Because a significant number of our loans are made at fixed interest rates, our business is subject to fluctuations in interest rates. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and/or cash flows. In addition, because we make a significant number of loans in currencies other than the U.S. dollar, fluctuations in foreign currency exchange rates could also reduce our earnings and cash flows. We also rely on a number of diversified global debt capital markets and funding programs to provide liquidity for our global operations, including commercial paper, medium-term notes, retail notes, variable denomination floating rate demand notes and bank loans. Significant changes in market liquidity conditions could impact our access to funding and the associated funding cost and reduce our earnings and cash flows.

Although we manage interest rate, foreign currency exchange rate and market liquidity risks with a variety of techniques, including a match funding program, the selective use of derivatives and a broadly diversified funding program, there can be no assurance that fluctuations in interest rates, currency exchange rates and market liquidity conditions will not have a material adverse effect on our earnings and cash flows. If any of the variety of instruments and strategies we use to hedge our exposure to these various types of risk is ineffective, we may incur losses.

**Our business is significantly influenced by the credit risk associated with our customers and an increase in delinquencies, repossessions or net losses could adversely affect our results**

Our business is significantly influenced by the credit risk associated with our customers. The creditworthiness of each customer and the rate of delinquencies, repossessions and net losses on customer obligations are directly impacted by several factors, including, but not limited to, relevant industry and economic conditions and the availability of capital. Any increase in delinquencies, repossessions and net losses on customer obligations could have a material adverse effect on our earnings and cash flows.

In addition, although we evaluate and adjust our Allowance for credit losses related to past due and non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of our customers could change the timing and level of payments received and necessitate an increase in our estimated losses, which could also have a material adverse effect on our earnings and cash flows.

**A decrease in the residual value of the equipment that we finance could adversely affect our results**

Declines in the residual value of equipment financed by us may reduce our earnings. The residual value of leased equipment is determined based on its estimated future wholesale market value at the time of the expiration of the lease term. We estimate the residual value of leased equipment at the inception of the lease based on a number of factors, including historical wholesale market sales prices, past remarketing experience and any known significant market/product trends. If estimated future market values significantly decline due to economic factors, obsolescence or other adverse circumstances, we may not realize such residual value, which could reduce our earnings, either through an increase in depreciation expense or a decrease in finance revenue.

**The success of our business depends upon the demand for Caterpillar's products**

Our primary business is to provide retail and wholesale financing alternatives for Caterpillar products to customers and dealers and is therefore largely dependent upon the demand for Caterpillar's products and customers' willingness to enter into financing or leasing agreements, which may be negatively affected by challenging global economic conditions. As a result, a significant or prolonged decrease in demand could have a material adverse effect on our business, financial condition, results of operations and cash flows. The demand for Caterpillar's products and our products and services is influenced by a number of factors, including:

- General world economic conditions and the level of mining, construction and manufacturing activity;
- Changes and uncertainties in the monetary and fiscal policies of various governmental and regulatory entities;
- Fluctuations in demand and prices for certain commodities;
- Fluctuations in currency exchange rates and interest rates;
- Political, economic and legislative changes;
- Caterpillar's ability to produce products that meet customers' needs;
- Caterpillar's ability to maintain key dealer relationships;
- The ability of Caterpillar dealers to sell Caterpillar products and their practices regarding inventory control; and
- Changes in pricing policies by Caterpillar or its competitors.

Any significant adverse changes to these factors could negatively impact our results.

**Changes in the marketing, operational or administrative support that we receive from Caterpillar could adversely affect our results**

We participate in certain marketing programs sponsored by Caterpillar and/or Caterpillar dealers that allow us to offer financing to customers at interest rates that are below-market rates. These marketing programs provide us with a significant competitive advantage in financing Caterpillar products. Any change in these marketing programs or reduction in our ability to offer competitively priced financing to customers could reduce the percentage of Caterpillar products financed by us, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Caterpillar also provides us with other types of operational and administrative support, such as the administration of employee benefit plans, which is integral to the conduct of our business. Any changes in the levels of support from Caterpillar could also negatively impact our results.

**The success of our business depends on our ability to develop, produce and market quality products and services that meet our customers' needs**

We operate in a highly competitive environment, with financing for users of Caterpillar equipment available through a variety of sources, principally commercial banks and finance and leasing companies. Increasing competition may adversely affect our business if we are unable to match the products and services of our competitors. Also, as noted above, any changes to the marketing programs sponsored by Caterpillar and/or Caterpillar dealers, which allow us to offer financing to customers at interest rates that are below-market rates, could have a materially adverse effect on our business.

**New regulations or changes in financial services regulation could adversely impact our results of operations and financial condition**

Our operations are highly regulated by governmental authorities in the locations where we operate, which can impose significant additional costs and/or restrictions on our business. In the U.S. for example, our operations are subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Dodd-Frank was signed into law in July 2010 and includes extensive provisions regulating the financial services industry. Many of the regulations implementing the derivatives provisions of Dodd-Frank became effective in 2013 and additional requirements will become effective in 2014. As such, we have become and could continue to become subject to additional regulatory costs both directly and indirectly, through increased costs of doing business with more marketing intermediaries that are now subject to extensive regulation pursuant to Dodd-Frank. For example, derivatives dealers may seek to pass to us the cost of any margin, capital or other regulatory requirements that they are subject to under Dodd-Frank. As the regulatory regime is still developing and important additional regulations have yet to be adopted, the ultimate costs of Dodd-Frank on our business remains uncertain. However, such costs could be significant and could have an adverse effect on our results of operations and financial condition. Additional regulations in the U.S. or internationally impacting the financial services industry could also add significant cost or operational constraints that might have an adverse effect on our results of operations and financial condition.

### **Our global operations are subject to extensive anti-corruption laws and regulations**

The U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws. Our continued operation and expansion outside the United States, including in developing countries, could increase the risk of such violations. Notwithstanding the compliance programs applicable to our international operations, violations of these laws may result in severe criminal or civil sanctions, could disrupt our business, and result in an adverse effect on our reputation, business and results of operations or financial condition.

### **We may incur additional tax expense or become subject to additional tax exposure**

We are subject to income taxes in the United States and numerous foreign jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. Our Provision for income taxes and related tax payments in the future could be adversely affected by numerous factors, including, but not limited to, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws and regulations. For example, our effective tax rate is reduced due to a provision of United States tax law that defers the imposition of United States tax on certain active financial services income until that income is repatriated to the United States as a dividend. This provision, which expired at the end of 2013, has been extended by Congress multiple times since 1999 but there is no assurance that it will continue to be extended. If this provision is not extended, we expect our effective tax rate to increase significantly after 2014. We are also subject to the continuous examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on the Company's Provision for income taxes and related tax payments.

### **Restrictive covenants in our debt agreements could limit our financial and operating flexibility**

Cat Financial and our subsidiaries have agreements under which we borrow or have the ability to borrow funds for use in our respective businesses that are utilized primarily for general corporate purposes. Certain of these agreements include covenants relating to our financial performance and financial position. The two most significant financial covenants included in these agreements are: (1) a leverage ratio covenant that requires us to maintain a ratio of consolidated debt to consolidated net worth of not greater than 10 to 1, calculated (i) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (ii) at each December 31; and (2) an interest coverage ratio that requires us to maintain a ratio of (i) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (ii) interest expense of not less than 1.15 to 1, in each case, calculated at the end of each calendar quarter for the rolling four-quarter period then most recently ended for us and our subsidiaries on a consolidated basis in accordance with generally accepted accounting principles. In addition, we are restricted in a number of our agreements from terminating, amending or modifying our support agreement with Caterpillar. We are also restricted in our ability to incur secured indebtedness or consolidate, merge or sell assets. Similarly, we are also bound by covenants in various agreements that involve Caterpillar and its obligation to maintain a consolidated net worth of not less than \$9 billion at all times during each fiscal year.

Although we do not believe any of these covenants presently materially restrict our operations, our ability to meet any one particular financial covenant may be affected by events that could be beyond our control and could result in material adverse consequences that negatively impact our business, results of operations and financial condition. These consequences may include the acceleration of repayment of amounts outstanding under certain of our credit agreements, the triggering of an obligation to redeem certain debt securities, the termination of existing unused credit commitments by our lenders, the refusal by our lenders to extend further credit under one or more of our credit agreements or the lowering or modification of our credit ratings, including those of any of our subsidiaries. We cannot provide assurance that we will continue to comply with each credit covenant, particularly if we were to encounter challenging and volatile market conditions.

### **Changes in accounting guidance could have an adverse effect on our results of operations, as reported in our financial statements**

Our consolidated financial statements are subject to the application of generally accepted accounting principles in the United States of America, which is periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting guidance and related interpretations issued by recognized authoritative bodies, including the Financial Accounting Standards Board and the SEC. Market conditions have prompted accounting standard setters to issue new guidance, which further interprets or seeks to revise accounting pronouncements related to various transactions, as well as to issue new guidance expanding disclosures. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our annual and quarterly reports on Form 10-K and Form 10-Q. An assessment of proposed guidance is not provided, as such proposals are subject to change through the exposure process and, therefore, their effects on our financial statements cannot

be meaningfully assessed. It is possible that future accounting guidance we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our business, results of operations and financial condition.

**Increased information technology security threats and more sophisticated computer crime pose a risk to our systems, networks, products and services**

We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties. Additionally, we collect and store data that is sensitive to us and our customers. The secure operation of these information technology systems and networks, and the processing and maintenance of this data is critical to our business operations and strategy. Information technology security threats -- from user error to attacks designed to gain unauthorized access to our systems, networks and data -- are increasing in frequency and sophistication. Attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. If an attack against us were to succeed it could expose us and our customers, dealers and suppliers to misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products and operations disruptions. The occurrence of any of these events could adversely affect our reputation, competitive position, business and results of operations. In addition, such breaches in security could result in litigation, regulatory action and potential liability and the costs and operational consequences of implementing further data protection measures.

**We have determined that a material weakness exists in our internal control over financial reporting which could, if not remediated, have a material adverse impact on our ability to produce timely and accurate financial statements.**

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As discussed in Item 9A, we identified a material weakness in our internal control over financial reporting as of September 30, 2014, which we also concluded existed as of December 31, 2013. As a result of this material weakness, we concluded that our internal controls over financial reporting were not effective as of December 31, 2013 and that our disclosure controls and procedures were not effective as of December 31, 2013.

A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have taken a number of actions and continue to devote significant time and attention to remedy the identified material weakness in internal control over financial reporting (see Item 9A for a description of the identified material weakness and related remediation plan). However, if we do not complete our remediation in a timely manner or if our remediation plan is inadequate, there will continue to be an increased risk of future material misstatements in our annual or interim financial statements.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters are located in Nashville, Tennessee. We maintain forty-six offices in total, of which nine are located in North America (eight in the U.S. and one in Canada), twenty-one are located in Europe, one is located in the Middle East, nine are located in Asia/Pacific and six are located in Latin America (see Note 15 of Notes to Consolidated Financial Statements for more information regarding our segments and geographic areas). All of our offices are leased.

**Item 3. Legal Proceedings.**

We are involved in unresolved legal actions that arise in the normal course of business. Although it is not possible to predict with certainty the outcome of our unresolved legal actions, we believe that these unresolved legal actions will neither individually nor in the aggregate have a material adverse effect on our consolidated financial position, liquidity or results of operations.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our stock is not publicly traded. Caterpillar Inc. is the owner of our one outstanding share. Cash dividends of \$200 million, \$250 million and \$600 million were paid to Caterpillar in 2013, 2012 and 2011, respectively.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The discussion below amends Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Form 10-K for the year ended December 31, 2013, as originally filed with the SEC on February 18, 2014 and reflects revisions to the financial statements for the correction of immaterial errors as described in Note 1 to the consolidated financial statements.

### **OVERVIEW: 2013 VS. 2012**

We reported revenues of \$2.79 billion for 2013, an increase of \$92 million, or 3 percent, compared with 2012. Profit after tax was \$513 million, an \$85 million, or 20 percent, increase from 2012.

- The increase in revenues was primarily due to a \$229 million favorable impact from higher average earning assets, partially offset by a \$121 million unfavorable impact from lower average financing rates on new and existing finance receivables and operating leases and a \$14 million unfavorable impact from returned or repossessed equipment.
- Profit before income taxes was \$694 million for 2013, compared with \$584 million for 2012. The increase was primarily due to a \$97 million favorable impact from higher average earning assets and a \$62 million decrease in the provision for credit losses. These increases were partially offset by a \$23 million unfavorable impact from currency gains and losses and a \$14 million unfavorable impact from returned or repossessed equipment.
- The provision for income taxes reflects an annual tax rate of 25 percent for both 2013 and 2012. The 2013 annual tax rate of 25 percent excludes a benefit of \$7 million, reflecting the impact of the American Taxpayer Relief Act.
- New retail financing for 2013 was \$13.09 billion, a decrease of \$868 million, or 6 percent, from 2012. New retail financing decreased across all operating segments with the exception of North America, which increased.
- At the end of 2013, past dues were 2.47 percent, compared with 2.51 percent at the end of the third quarter of 2013 and 2.31 percent at the end of 2012.
- Write-offs, net of recoveries, were \$124 million for 2013, compared with \$103 million for 2012. Full-year 2013 write-offs, net of recoveries, were 0.46 percent of average annual retail portfolio, compared with 0.42 percent in 2012. The increase in write-offs was primarily related to our European marine portfolio and was previously provided for in the Allowance for credit losses.
- At year-end 2013, our Allowance for credit losses totaled \$387 million or 1.33 percent of net finance receivables, compared with \$429 million or 1.50 percent of net finance receivables at year-end 2012. The overall decrease of \$42 million in Allowance for credit losses during the year reflects a \$49 million decrease associated with the lower allowance rate, partially offset by a \$7 million increase in allowance due to an increase in our net finance receivables portfolio.

## **2013 VS. 2012**

### **REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT**

#### **REVENUES**

Retail and wholesale revenue for 2013 was \$1.69 billion, an increase of \$16 million from 2012. The increase was due to a \$139 million favorable impact from higher average earning assets, partially offset by a \$123 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 5.88 percent for 2013, compared with 6.31 percent in 2012.

Operating lease revenue for 2013 was \$948 million, an increase of \$88 million from 2012. The increase in operating lease revenue was due to a \$121 million favorable impact from higher average earning assets, partially offset by a \$33 million unfavorable impact from lower average financing rates on operating leases.

Other revenue, net, items were as follows:

<b>(Millions of dollars)</b>		
	<b>2013</b>	<b>2012</b>
Finance receivable and operating lease fees (including late charges)	\$ 76	\$ 70
Fees on committed credit facility extended to Caterpillar	41	41
Interest income on Notes Receivable from Caterpillar	19	21
Net loss on returned or repossessed equipment	(14)	—
Miscellaneous other revenue, net	22	24
Total Other revenue, net	<u>\$ 144</u>	<u>\$ 156</u>

#### **EXPENSES**

Interest expense for 2013 was \$734 million, a decrease of \$67 million from 2012. This decrease was primarily due to a reduction of 48 basis points in the average cost of borrowing to 2.45 percent for 2013, down from 2.93 percent for 2012, partially offset by the impact of a 9 percent increase in average borrowings.

Depreciation expense on equipment leased to others was \$770 million, up \$82 million from 2012 due to an increase in the average operating lease portfolio.

General, operating and administrative expenses were \$427 million for 2013, compared with \$416 million for 2012. The increase was primarily due to increases in personnel costs. There were 1,767 full-time employees as of December 31, 2013, compared with 1,745 as of December 31, 2012.

The Provision for credit losses was \$101 million for 2013 compared with \$163 million in 2012. The decrease was primarily due to a reduction in provision expense for finance receivables (the result of a decrease in the allowance rate and slower growth in the portfolio, partially offset by an increase in write-offs, net of recoveries). The Allowance for credit losses as of December 31, 2013 was 1.33 percent of net finance receivables compared with 1.50 percent as of December 31, 2012. The lower allowance rate reflects write-offs taken in 2013, primarily related to our European marine portfolio that had been previously provided for in the Allowance for credit losses, favorable changes in our estimated probabilities of default (due to improved financial health of our customers), continued refinements of estimated loss emergence periods and general improvement in the economic conditions of the industries we serve. See Note 3B of Notes to Consolidated Financial Statements for further discussion.

Other expenses were \$24 million for 2013, compared with \$29 million for 2012.



Other income (expense) items were as follows:

(Millions of dollars)		
	2013	2012
Net gain (loss) from interest rate derivatives	\$ (2)	\$ 6
Net currency exchange loss, including forward points	(33)	(18)
Total Other income (expense)	<u>\$ (35)</u>	<u>\$ (12)</u>

The Provision for income taxes was \$167 million for 2013, compared with \$145 million for 2012. The Provision for income taxes reflects an annual tax rate of 25 percent for both 2013 and 2012. The 2013 annual tax rate of 25 percent excludes a benefit of \$7 million, reflecting the impact of the American Taxpayer Relief Act.

### **PROFIT**

As a result of the performance discussed above, we had profit of \$513 million for 2013, an increase of \$85 million, or 20 percent, from 2012.

## **REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

### **ASSETS**

Total assets were \$35.11 billion as of December 31, 2013, an increase of \$379 million, or 1 percent, from December 31, 2012, primarily due to an increase in equipment on operating leases, net and an increase in net finance receivables, partially offset by a decrease in our cash position.

During 2013, new retail financing was \$13.09 billion, a decrease of \$868 million, or 6 percent, from 2012. New retail financing decreased across all operating segments with the exception of North America, which increased.

### **Total Off-Balance Sheet Managed Assets**

We manage and service receivables and leases that have been sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers. These receivables/leases are not available to pay our creditors.

Off-balance sheet managed assets as of December 31, were as follows:

(Millions of dollars)		
	2013	2012
Retail notes receivable	\$ 126	\$ 49
Retail finance leases	103	116
Operating leases	61	60
Retail installment sale contracts	32	66
Total off-balance sheet managed assets	<u>\$ 322</u>	<u>\$ 291</u>

### **TOTAL PAST DUE FINANCE AND RENTS RECEIVABLE**

At the end of 2013, past dues were 2.47 percent, compared with 2.51 percent at the end of the third quarter of 2013 and 2.31 percent at the end of 2012. Write-offs, net of recoveries, were \$124 million for 2013, compared with \$103 million for 2012. Full-year 2013 write-offs, net of recoveries, were 0.46 percent of average annual retail portfolio, compared with 0.42 percent in 2012. The increase in write-offs was primarily related to our European marine portfolio and was previously provided for in the Allowance for credit losses.

**FOURTH QUARTER 2013 VS. FOURTH QUARTER 2012****CONSOLIDATED STATEMENTS OF PROFIT**  
**(Dollars in Millions)**

	<b>Three Months Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Retail finance	\$ 345	\$ 347
Operating lease	259	212
Wholesale finance	77	83
Other, net	30	37
Total revenues	<u>711</u>	<u>679</u>
<b>Expenses:</b>		
Interest	177	198
Depreciation on equipment leased to others	212	173
General, operating and administrative	110	108
Provision for credit losses	10	70
Other	8	9
Total expenses	<u>517</u>	<u>558</u>
Other income (expense)	<u>10</u>	<u>(5)</u>
<b>Profit before income taxes</b>	<b>204</b>	<b>116</b>
Provision for income taxes	<u>41</u>	<u>19</u>
<b>Profit of consolidated companies</b>	<b>163</b>	<b>97</b>
Less: Profit attributable to noncontrolling interests	<u>5</u>	<u>3</u>
<b>Profit<sup>1</sup></b>	<b><u>\$ 158</u></b>	<b><u>\$ 94</u></b>

<sup>1</sup> Profit attributable to Caterpillar Financial Services Corporation.

### **THREE MONTHS ENDED DECEMBER 31, 2013 VS. THREE MONTHS ENDED DECEMBER 31, 2012**

#### **REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT**

##### **REVENUES**

Retail and wholesale revenue for the fourth quarter of 2013 was \$422 million, a decrease of \$8 million from the same period in 2012. The decrease was due to a \$24 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables, partially offset by a \$16 million favorable impact from higher average earning assets. The annualized average yield was 5.81 percent for the fourth quarter of 2013, compared with 6.15 percent for the fourth quarter of 2012.

Operating lease revenue for the fourth quarter of 2013 was \$259 million, an increase of \$47 million from the same period in 2012. The increase was due to a \$38 million favorable impact from higher average earning assets and a \$9 million favorable impact from higher average financing rates on operating leases.

Other revenue, net, items were as follows:

(Millions of dollars)	Three Months Ended December 31,	
	2013	2012
Finance receivable and operating lease fees (including late charges)	\$ 17	\$ 17
Fees on committed credit facility extended to Caterpillar	11	11
Interest income on Notes Receivable from Caterpillar	5	5
Net loss on returned or repossessed equipment	(9)	(2)
Miscellaneous other revenue, net	6	6
Total Other revenue, net	<u>\$ 30</u>	<u>\$ 37</u>

##### **EXPENSES**

Interest expense for the fourth quarter of 2013 was \$177 million, a decrease of \$21 million from the same period in 2012. This decrease was primarily due to a reduction of 41 basis points in the average cost of borrowing to 2.30 percent for 2013, down from 2.71 percent for 2012, partially offset by the impact of a 4 percent increase in average borrowings.

Depreciation expense on equipment leased to others was \$212 million, up \$39 million from the fourth quarter of 2012 due to an increase in the average operating lease portfolio.

General, operating and administrative expenses were \$110 million for the fourth quarter of 2013, compared with \$108 million for the same period in 2012.

The Provision for credit losses was \$10 million for the fourth quarter of 2013 compared with \$70 million from the fourth quarter of 2012. The decrease was primarily due to a reduction in provision expense for finance receivables (the result of a decrease in the allowance rate, a decrease in write-offs, net of recoveries and slower growth in the portfolio). The Allowance for credit losses as of December 31, 2013 was 1.33 percent of net finance receivables compared with 1.50 percent as of December 31, 2012. The lower allowance rate reflects write-offs taken in 2013, primarily related to our European marine portfolio that had been previously provided for in the Allowance for credit losses, favorable changes in our estimated probabilities of default (due to improved financial health of our customers), continued refinements of estimated loss emergence periods and general improvement in the economic conditions of the industries we serve. See Note 3B of Notes to Consolidated Financial Statements for further discussion.

Other expenses were \$8 million for the fourth quarter of 2013, compared with \$9 million for the fourth quarter of 2012.

Other income (expense) items were as follows:

(Millions of dollars)	Three Months Ended December 31,	
	2013	2012
Net currency exchange gain (loss), including forward points	\$ 14	\$ (7)
Net gain (loss) from interest rate derivatives	(4)	2
Total Other income (expense)	<u>\$ 10</u>	<u>\$ (5)</u>

The Provision for income taxes was \$41 million for the fourth quarter of 2013, compared with \$19 million for the fourth quarter of 2012. The Provision for income taxes reflects an annual tax rate of 25 percent for the fourth quarters of both 2013 and 2012.

### **PROFIT**

As a result of the performance discussed above, we had profit of \$158 million for the fourth quarter of 2013, an increase of \$64 million, or 68 percent, from the fourth quarter of 2012.

## **2012 VS. 2011**

### **REVIEW OF CONSOLIDATED STATEMENTS OF PROFIT**

#### **REVENUES**

Retail and wholesale revenue for 2012 was \$1.68 billion, an increase of \$87 million from 2011. The increase was due to a \$145 million favorable impact from higher average earning assets, partially offset by a \$58 million unfavorable impact from lower interest rates on new and existing retail and wholesale receivables. The annualized average yield was 6.31 percent for 2012, compared with 6.53 percent in 2011.

Operating lease revenue for 2012 was \$860 million, a decrease of \$10 million from 2011. The decrease in operating lease revenue was due to a \$49 million unfavorable impact from lower average financing rates on operating leases, partially offset by a \$39 million favorable impact from higher average earning assets.

Other revenue, net, items were as follows:

<b>(Millions of dollars)</b>		
	<b>2012</b>	<b>2011</b>
Finance receivable and operating lease fees (including late charges)	\$ 70	\$ 68
Fees on committed credit facility extended to Caterpillar	41	40
Interest income on Notes Receivable from Caterpillar	21	16
Net gain on returned or repossessed equipment	—	33
Miscellaneous other revenue, net	24	28
Total Other revenue, net	<u>\$ 156</u>	<u>\$ 185</u>

#### **EXPENSES**

Interest expense for 2012 was \$801 million, a decrease of \$26 million from 2011. This decrease was primarily due to a reduction of 47 basis points in the average cost of borrowing to 2.93 percent for 2012, down from 3.40 percent for 2011, partially offset by the impact of a 12 percent increase in average borrowings.

Depreciation expense on equipment leased to others was \$688 million, down \$2 million from 2011.

General, operating and administrative expenses were \$416 million for 2012, compared with \$405 million for 2011. The increase was primarily due to increases in personnel costs. There were 1,745 full-time employees as of December 31, 2012, compared with 1,670 as of December 31, 2011.

The Provision for credit losses was \$163 million for 2012, down \$14 million from 2011 due to a \$10 million decrease in the provision expense related to finance receivables (a result of a decrease in write-offs, net of recoveries, partially offset by the impact of an increase in the allowance rate and portfolio growth) and a \$4 million decrease in the provision expense for miscellaneous receivables. The Allowance for credit losses as of December 31, 2012 was 1.50 percent of net finance receivables compared with 1.48 percent as of December 31, 2011. See Note 3B of Notes to Consolidated Financial Statements for further discussion.

Other expenses were \$29 million for 2012, compared with \$34 million for 2011.

Other income (expense) items were as follows:

<b>(Millions of dollars)</b>		
	<b>2012</b>	<b>2011</b>
Net gain (loss) from interest rate derivatives	\$ 6	\$ (10)
Net currency exchange loss, including forward points	(18)	(7)
Other miscellaneous income	—	3
Total Other income (expense)	<u>\$ (12)</u>	<u>\$ (14)</u>

The Provision for income taxes was \$145 million for 2012, compared with \$109 million for 2011. The Provision for income taxes reflects an annual tax rate of 25 percent for both 2012 and 2011. The 2011 Provision for income taxes included a \$15 million benefit related to prior years.

### **PROFIT**

As a result of the performance discussed above, we had profit of \$428 million for 2012, an increase of \$54 million, or 14 percent, from 2011.

## **REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

### **ASSETS**

Total assets were \$34.74 billion as of December 31, 2012, an increase of \$4.63 billion, or 15 percent, from December 31, 2011, primarily due to an increase in net finance receivables and an increase in our cash position.

During 2012, new retail financing was \$13.96 billion, an increase of \$2.63 billion, or 23 percent, from 2011. The increase was a result of growth across all operating segments, with the largest increases occurring in our Europe and Caterpillar Power Finance, Asia/Pacific and Mining operating segments.

### **Total Off-Balance Sheet Managed Assets**

We manage and service receivables and leases that have been sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers. These receivables/leases are not available to pay our creditors.

Off-balance sheet managed assets as of December 31, were as follows:

<b>(Millions of dollars)</b>		
	<b>2012</b>	<b>2011</b>
Retail finance leases	\$ 116	\$ 133
Retail installment sale contracts	66	48
Operating leases	60	15
Retail notes receivable	49	39
Total off-balance sheet managed assets	<u>\$ 291</u>	<u>\$ 235</u>

### **TOTAL PAST DUE FINANCE AND RENTS RECEIVABLE**

During 2012, our overall portfolio quality reflected continued improvement. At the end of 2012, past dues were 2.31 percent compared with 2.84 percent at the end of the third quarter of 2012 and 2.92 percent at the end of 2011. Write-offs, net of recoveries, were \$103 million for the full-year 2012, compared with \$159 million for 2011. Full-year 2012 write-offs, net of recoveries, were 0.42 percent of average annual retail portfolio, compared with 0.70 percent in 2011.

## **CAPITAL RESOURCES AND LIQUIDITY**

Capital resources and liquidity provide us with the ability to meet our financial obligations on a timely basis. Maintaining and managing adequate capital and liquidity resources includes management of funding sources and their utilization based on current, future and contingent needs. Throughout 2013, we experienced favorable liquidity conditions. We intend to maintain a strong cash and liquidity position. We ended 2013 with \$1.32 billion of cash, a decrease of \$760 million from year-end 2012. Our cash balances are held in numerous locations throughout the world with approximately \$465 million held by our non-U.S. subsidiaries. Amounts held outside the United States are available for general corporate use and could be used in the United States without incurring significant additional U.S. taxes. We expect to meet our United States funding needs without repatriating undistributed profits that are indefinitely reinvested outside the United States. We do not generate material funding through structured finance transactions.

In the event that we, or any of our debt securities, experience a credit rating downgrade it would likely result in an increase in our borrowing costs and make access to certain credit markets more difficult. In the event economic conditions deteriorate such that access to debt markets becomes unavailable, we would rely on cash flows from our existing portfolio, utilization of existing cash balances, access to our revolving credit facilities and our other credit facilities and potential borrowings from Caterpillar. In addition, Caterpillar maintains a support agreement with us, which requires Caterpillar to remain as our sole owner and which may, under certain circumstances, require Caterpillar to make payments to us should we fail to maintain certain financial ratios.

### **BORROWINGS**

Borrowings consist primarily of medium-term notes, commercial paper, bank borrowings and variable denomination floating rate demand notes, the combination of which is used to manage interest rate risk and funding requirements. (Please refer to Notes 6, 7, 8 and 9 of Notes to Consolidated Financial Statements for additional discussion.)

Total borrowings outstanding as of December 31, 2013, were \$30.11 billion, an increase of \$162 million over December 31, 2012, primarily due to increasing portfolio balances. Outstanding borrowings as of December 31 were as follows:

<b>(Millions of dollars)</b>		
	<b>2013</b>	<b>2012</b>
Medium-term notes, net of unamortized discount	\$ 23,846	\$ 23,487
Commercial paper, net of unamortized discount	2,502	3,654
Bank borrowings – long-term	1,483	1,602
Bank borrowings – short-term	545	418
Variable denomination floating rate demand notes	616	579
Notes payable to Caterpillar	1,118	208
Total outstanding borrowings	<u>\$ 30,110</u>	<u>\$ 29,948</u>

### **Medium-term notes**

We issue medium-term unsecured notes through securities dealers or underwriters in the U.S., Canada, Europe, Australia, Japan, Hong Kong, Argentina and Mexico to both retail and institutional investors. These notes are offered in several currencies and with a variety of maturities. These notes are senior unsecured obligations of the Company. Medium-term notes outstanding as of December 31, 2013, mature as follows:

<b>(Millions of dollars)</b>		
2014	\$	5,973
2015		6,050
2016		4,567
2017		2,622
2018		2,289
Thereafter		2,345
Total	<u>\$</u>	<u>23,846</u>

Medium-term notes issued totaled \$6.15 billion and redeemed totaled \$5.39 billion for the year ended December 31, 2013.

### **Commercial paper**

We issue unsecured commercial paper in the U.S., Europe and other international capital markets. These short-term promissory notes are issued on a discounted basis and are payable at maturity.

### **Revolving credit facilities**

We have three global credit facilities with a syndicate of banks totaling \$10.00 billion (Credit Facility) available in the aggregate to both Caterpillar and us for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to us as of December 31, 2013 was \$7.25 billion.

- The 364-day facility of \$3.00 billion (of which \$2.18 billion is available to us) expires in September 2014.
- The 2010 four-year facility, as amended in September 2013, of \$2.60 billion (of which \$1.88 billion is available to us) expires in September 2016.
- The 2011 five-year facility, as amended in September 2013, of \$4.40 billion (of which \$3.19 billion is available to us) expires in September 2018.

At December 31, 2013, Caterpillar's consolidated net worth was \$25.03 billion, which was above the \$9.00 billion required under the Credit Facility. The consolidated net worth is defined in the Credit Facility as the consolidated stockholders' equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income/(loss).

At December 31, 2013, our covenant interest coverage ratio was 1.93 to 1. This is above the 1.15 to 1 minimum ratio, calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2013, our six-month covenant leverage ratio was 8.18 to 1 and our year-end covenant leverage ratio was 8.04 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31, required by the Credit Facility.

In the event that either Caterpillar or we do not meet one or more of our respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the syndicate of banks may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of our other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At December 31, 2013, there were no borrowings under the Credit Facility.

### **Bank borrowings**

Credit lines with banks as of December 31, 2013 totaled \$4.28 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our non-U.S. subsidiaries for local funding requirements. The remaining available credit commitments may be withdrawn any time at the lenders' discretion. As of December 31, 2013, we had \$2.03 billion outstanding against these credit lines compared with \$2.02 billion as of December 31, 2012, and were in compliance with all debt covenants under these credit lines.

### **Variable denomination floating rate demand notes**

We obtain funding from the sale of variable denomination floating rate demand notes, which may be redeemed at any time at the option of the holder without any material restriction. We do not hold reserves to fund the payment of the demand notes. The notes are offered on a continuous basis by prospectus only.

### **Notes receivable from/payable to Caterpillar**

Under our variable amount lending agreements and other notes receivable with Caterpillar, we may borrow up to \$2.33 billion from Caterpillar and Caterpillar may borrow up to \$1.29 billion from us. The agreements are in effect for indefinite periods of time and may be changed or terminated by either party with 30 days notice. We had notes receivable of \$345 million and notes payable of \$1.12 billion outstanding under these agreements as of December 31, 2013, compared with notes receivable of \$360 million and notes payable of \$208 million as of December 31, 2012.



### **Committed credit facility**

In addition, in 2011, we extended a \$2 billion committed credit facility to Caterpillar, which expires in February 2019. We receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility. At December 31, 2013, there were no borrowings under this credit facility.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We lease all of our facilities. In addition, we have potential payment exposure for guarantees issued to third parties totaling \$55 million as of December 31, 2013. Please refer to Notes 10 and 14 of Notes to Consolidated Financial Statements for further information.

### **Transfers of receivables**

Certain finance receivables and equipment on operating leases are sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers. In 2013, we received \$243 million of cash proceeds from the sale of such assets. We typically maintain servicing responsibilities for these third-party assets.

### **CONTRACTUAL OBLIGATIONS**

We have committed cash outflow related to long-term debt, operating lease agreements and purchase obligations. Minimum payments for these obligations are:

<b>(Millions of dollars)</b>							
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>After 2018</b>	<b>Total</b>
Long-term debt	\$ 6,592	\$ 6,446	\$ 4,796	\$ 2,747	\$ 2,350	\$ 2,398	\$ 25,329
Operating leases	15	14	12	12	11	29	93
Purchase obligations <sup>(1)</sup>	15	2	1	—	—	—	18
Interest payable on long-term debt	553	394	323	248	182	184	1,884
Total contractual obligations	<u>\$ 7,175</u>	<u>\$ 6,856</u>	<u>\$ 5,132</u>	<u>\$ 3,007</u>	<u>\$ 2,543</u>	<u>\$ 2,611</u>	<u>\$ 27,324</u>

<sup>(1)</sup>Represents short-term contractual obligations made in the ordinary course of business for contracted services at December 31, 2013.

These contractual obligations do not include unused commitments and lines of credit for dealers and customers discussed in Note 10 of Notes to Consolidated Financial Statements.

### **CASH FLOWS**

Operating cash flow for 2013 was \$1.10 billion compared with \$1.03 billion for 2012. Net cash used for investing activities in 2013 was \$2.53 billion compared with \$4.35 billion for 2012. The change is primarily due to less net cash used for finance receivables due to slower growth in the portfolio. Net cash provided by financing activities in 2013 was \$697 million compared with \$4.30 billion in 2012. The change is primarily due to lower funding requirements for investing activities, the net impact of our various lending arrangements with Caterpillar and the use of existing cash.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect reported amounts. The most significant estimates include those related to the residual values for leased assets, our Allowance for credit losses and the income tax reserve. Actual results may differ from these estimates.

### **Residual values for leased assets**

Lease residual values, which are based upon the estimated wholesale market value of leased equipment at the time of the expiration of the lease, are based on a careful analysis of historical wholesale market sales prices, projected forward on a level trend line without consideration for inflation or possible future pricing action. At the inception of the lease, residual values are derived from consideration of the following critical factors: market size and demand, any known significant market/product trends, total expected hours of usage, machine configuration, application, location, model changes, quantities and past re-marketing experience, third-party residual guarantees and contractual customer purchase options. Many of these factors are gathered in an application survey that is completed prior to quotation. The lease agreement also clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Remarketing sales staff works closely with customers and dealers to manage the sale of lease returns and the recovery of residual exposure.

During the term of the leases, residual amounts are monitored. If estimated market values reflect a non-temporary impairment due to economic factors, obsolescence or other adverse circumstances, the residuals are adjusted to the lower estimated values by a charge to earnings. For equipment on operating leases, the charge is recognized through depreciation expense. For finance leases, it is recognized through a reduction of finance revenue.

### **Allowance for credit losses**

The Allowance for credit losses is an estimate of the losses inherent in our finance receivable portfolio and includes consideration of accounts that have been individually identified as impaired, as well as pools of finance receivables where it is probable that certain receivables in the pool are impaired but the individual accounts cannot yet be identified. In identifying and measuring impairment, management takes into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions. In estimating probable credit losses, we review accounts that are past due, non-performing, in bankruptcy or otherwise identified as at-risk for potential credit loss including accounts which have been modified. Accounts are identified as at-risk for potential credit loss using information available about the customer, such as financial statements, news reports and published credit ratings, as well as general information regarding industry trends and the economic environment in which our customers operate.

The Allowance for credit losses attributable to specific accounts is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral less selling costs. We also consider credit enhancements such as additional collateral and contractual third-party guarantees. The Allowance for credit losses attributable to the remaining accounts not yet individually identified as impaired is estimated utilizing probabilities of default and the estimated loss given default. In addition, qualitative factors not able to be fully captured in previous analysis including industry trends, macroeconomic factors and model imprecision are considered in the evaluation of the adequacy of the Allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

While management believes it has exercised prudent judgment and applied reasonable assumptions, there can be no assurance that in the future, changes in economic conditions or other factors would not cause changes in the financial health of our customers. If the financial health of our customers deteriorates, the timing and level of payments received could be impacted and therefore, could result in a change to our estimated losses. Please see Item 9A for discussion of a material weakness in our internal control over financial reporting relating to the Allowance for credit losses and our related remediation plan.

### **Income tax reserve**

We are subject to the income tax laws of the many jurisdictions in which we operate. These tax laws are complex and the manner in which they apply to our facts is sometimes open to interpretation. In establishing the Provision for income taxes, we must make judgments about the application of these inherently complex tax laws.

Despite our belief that our tax return positions are consistent with applicable tax laws, we believe that taxing authorities could challenge certain positions. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations and adjustments to unrecognized tax benefits may be necessary to reflect actual taxes payable upon settlement. Adjustments related to positions impacting the effective tax rate affect the Provision for income taxes. Adjustments related to positions impacting the timing of deductions impact deferred tax assets and liabilities.

Our income tax positions and analysis are based on currently enacted tax law. Future changes in tax law could significantly impact the Provision for income taxes, the amount of taxes payable and the deferred tax asset and liability balances. Deferred tax assets generally represent tax benefits for tax deductions or credits available in future tax returns. Certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, reversing temporary differences and available prudent and feasible tax planning strategies. Should a change in facts or circumstances lead to a change in judgment about the ultimate realizability of a deferred tax asset, we record or adjust the related valuation allowance in the period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in the Provision for income taxes.

A provision for U.S. income taxes has not been recorded on undistributed profits of our non-U.S. subsidiaries that we have determined to be indefinitely reinvested outside the U.S. If management intentions or U.S. tax law changes in the future, there may be a significant negative impact on the Provision for income taxes to record an incremental tax liability in the period the change occurs. A deferred tax asset is recognized only if we have definite plans to generate a U.S. tax benefit by repatriating earnings in the foreseeable future.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We use derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposure that we encounter as a part of our normal business. Our Risk Management Policy prevents us from using these instruments for speculative purposes.

**Interest rate risk**

We have a match funding policy whereby the interest rate profile (fixed or floating rate) of our debt portfolio is matched to the interest rate profile of our earning asset portfolio (finance receivables and operating leases) within certain parameters. In connection with that policy, we use interest rate swap agreements to modify the debt structure. Match funding assists us in maintaining our interest rate spreads, regardless of the direction interest rates move.

In order to properly manage our sensitivity to changes in interest rates, we measure the potential impact of different interest rate assumptions on pre-tax earnings. All on-balance sheet positions, including derivative financial instruments, are included in the analysis. The primary assumptions used in the analysis are that there are no new fixed rate assets or liabilities, the proportion of fixed rate debt to fixed rate assets remains unchanged and the level of floating rate assets and debt remains constant. An analysis of the December 31, 2013 balance sheet, using these assumptions, estimates the impact of a 100 basis point immediate and sustained adverse change in interest rates to have a minimal impact on pre-tax earnings. Last year, similar assumptions and calculations yielded a potential adverse impact to pre-tax earnings of less than \$1 million.

This analysis does not necessarily represent our current outlook of future market interest rate movement, nor does it consider any actions management could undertake in response to changes in interest rates. Accordingly, no assurance can be given that actual results would be consistent with the results of our analysis.

**Foreign exchange rate risk**

In managing foreign currency risk, our objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions and related expected future transactions. Our policy allows the use of foreign currency forward, option and cross currency contracts to offset the risk of currency mismatch between our assets and liabilities and exchange rate risk associated with related expected future transactions. An analysis of the December 31, 2013 balance sheet estimates the impact of a 10 percent change in the value of the U.S. dollar relative to all other currencies, except the Chinese Yuan where a 2 percent change was used, to have an impact to pre-tax earnings of less than \$1 million. The same analysis performed on the December 31, 2012 balance sheet resulted in an estimated impact to pre-tax earnings of less than \$1 million.

This analysis does not necessarily represent our current outlook for the U.S. dollar relative to all other currencies, nor does it consider any actions management could undertake in response to changes in the foreign currency markets. Accordingly, no assurance can be given that actual results would be consistent with the results of our analysis.

**Item 8. Financial Statements and Supplementary Data.**

Information required by Item 8 is included following the Report of Independent Registered Public Accounting Firm.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

In connection with the filing of our Form 10-K on February 18, 2014, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e), as of December 31, 2013. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Subsequent to the evaluation made in connection with the filing of our Form 10-K on February 18, 2014, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of December 31, 2013 due to the material weakness in our internal control over financial reporting relating to our Allowance for credit losses discussed below. Notwithstanding the material weakness, management has concluded that our consolidated financial statements for the periods covered by and included in this Form 10-K/A are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America.

### **Management's Report on Internal Control over Financial Reporting (as restated)**

The management of Cat Financial is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the filing of our Form 10-K on February 18, 2014, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (1992)*. Based on our assessment, we concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

Subsequent to the evaluation made in connection with the filing of our Form 10-K on February 18, 2014, in preparing our consolidated financial statements for the quarter ended September 30, 2014, we identified immaterial errors impacting our previously issued financial statements, which led to the discovery of deficiencies in our internal control over financial reporting. We evaluated these control deficiencies, together with control deficiencies previously identified, and concluded that a material weakness relating to our Allowance for credit losses existed as of September 30, 2014. This caused us to reevaluate our previous conclusion on internal control over financial reporting as of December 31, 2013, and we have now concluded that the material weakness relating to our Allowance for credit losses existed as of December 31, 2013 and that we did not maintain effective internal control over financial reporting as of December 31, 2013.

#### *Description of material weakness*

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the below material weakness in our internal control over financial reporting as of September 30, 2014. Management also determined that this material weakness existed as of December 31, 2013.

We did not design and maintain effective internal controls over the accuracy and completeness of information about loans identified as being impaired, which are used in evaluating the adequacy of our Allowance for credit losses. Specifically, we did not design or implement controls necessary to monitor the effectiveness of subsidiary level controls relating to compliance with Company policies and procedures for evaluating loans for impairment.

The material weakness described above resulted in immaterial adjustments to our Allowance for credit losses, deferred tax accounts, Provision for credit losses, and income tax expense, as well as related financial statement disclosures and revisions to our consolidated financial statements and disclosures for the years ended December 31, 2013, 2012, and 2011. Accordingly, the material weakness did not result in a material misstatement of our consolidated financial statements and disclosures for the years ended December 31, 2013, 2012, or 2011. Additionally, this material weakness could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm as stated in their report which appears herein.

**Remediation plan for material weakness in internal control over financial reporting**

In response to the material weakness relating to our Allowance for credit losses, the Company has developed and is executing a remediation plan with the oversight of our Chief Executive Officer and Chief Financial Officer as described below.

The following actions have been taken to strengthen our internal controls and organizational structure:

- The Company has replaced a member of management, responsible for ensuring compliance with Company policies and procedures related to identifying and evaluating loans for impairment, at the subsidiary location where the control failure was identified.
- Cat Financial corporate management performed a subsidiary level review to identify any other subsidiaries not complying with policies and procedures related to identifying and evaluating loans for impairment. As a result of this review, we discovered one additional international subsidiary that was providing incomplete credit loss reporting as a result of a control deficiency at that subsidiary location. The impact of this control deficiency has been included in the evaluation and conclusions documented above. No other such control deficiencies were identified.
- The Company has conducted training sessions for our local subsidiary management responsible for reinforcing the understanding of our policies and procedures that impact the Allowance for credit losses at the subsidiaries where the control deficiencies were identified.

The Company also currently anticipates further improving its policies and procedures by:

- Strengthening our oversight controls to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses. Those oversight controls will be designed to operate at a level of precision sufficient to detect an error resulting from a related control failure at the subsidiary level before it results in a material misstatement of our consolidated financial statements; and
- Strengthening our testing of controls designed to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses to provide effective and timely identification of control deficiencies.

We believe these additional internal controls will be effective in remediating the material weakness described above and we will continue to devote significant time and attention to these remedial efforts. However, the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

**Changes in internal control over financial reporting**

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter covered by this Annual Report on Form 10-K/A that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

None.

## PART III

### Item 14. Principal Accounting Fees and Services.

As a wholly-owned subsidiary of Caterpillar Inc., our principal accounting fees and services are subject to Caterpillar Inc.'s Audit Committee pre-approval policies and procedures described in its Proxy Statement. This Proxy Statement can be located at Caterpillar Inc.'s Internet site ([www.caterpillar.com](http://www.caterpillar.com)), under Investors, Financial Information, Proxy Statement. Other than these policies and procedures, the information contained at that Internet site is not incorporated by reference in this filing. During 2013, all services provided by the external auditor were pre-approved by Caterpillar's Audit Committee in accordance with such policy.

Fees for professional services provided by our auditors include the following:

(Millions of dollars)		
	2013	2012
Audit fees <sup>(1)</sup>	\$ 3.9	\$ 3.9
Audit-related fees <sup>(2)</sup>	—	.3
Tax fees <sup>(3)</sup>	.4	.5
Total	<u>\$ 4.3</u>	<u>\$ 4.7</u>

<sup>(1)</sup> "Audit fees" principally includes audit and review of financial statements (including internal control over financial reporting), statutory and subsidiary audits, SEC registration statements, comfort letters and consents.

<sup>(2)</sup> "Audit-related fees" principally includes accounting consultations and pre- or post- implementation reviews of processes or systems.

<sup>(3)</sup> "Tax fees" include, among other things, statutory tax return preparation and review and advising on the impact of changes in local tax laws.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report.

1 Financial Statements

- Management's Report on Internal Control Over Financial Reporting
- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Profit
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Financial Position
- Consolidated Statements of Changes in Stockholder's Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

(b) Exhibits

- 3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 to the Company's Form 10 for the year ended December 31, 1984).
- 3.2 Bylaws of the Company, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2005).
- 4.1 Indenture, dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3, Commission File No. 33-2246).
- 4.2 First Supplemental Indenture, dated as of May 22, 1986, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 20, 1986).
- 4.3 Second Supplemental Indenture, dated as of March 15, 1987, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated April 24, 1987).
- 4.4 Third Supplemental Indenture, dated as of October 2, 1989, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 16, 1989).
- 4.5 Fourth Supplemental Indenture, dated as of October 1, 1990, amending the Indenture dated April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 29, 1990).
- 4.6 Indenture, dated as of July 15, 1991, between the Company and Continental Bank, National Association, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 25, 1991).
- 4.7 First Supplemental Indenture, dated as of October 1, 2005, amending the Indenture dated as of July 15, 1991, between the Company and U.S. Bank Trust National Association (as successor to the former Trustee) (incorporated by reference from Exhibit 4.3 to Amendment No. 5 to the Company's Registration Statement on Form S-3 filed October 20, 2005, Commission File No. 333-114075).
- 4.8 Support Agreement, dated as of December 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.2 to the Company's amended Form 10, for the year ended December 31, 1984).
- 4.9 First Amendment to the Support Agreement dated June 14, 1995, between the Company and Caterpillar (incorporated by reference from Exhibit 4 to the Company's Current Report on Form 8-K, dated June 14, 1995).
- The registrant hereby undertakes upon request to furnish the Commission with a copy of any instrument with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.
- 10.1 Tax Sharing Agreement, dated as of June 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.3 to the Company's amended Form 10, for the year ended December 31, 1984).
- 10.2 Four-Year Credit Agreement, dated as of September 16, 2010 (2010 Four-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain other financial institutions named therein and Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc, Banc of America Securities LLC, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 21, 2010).



- 10.3 Japan Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.6 to the Company's Current Report on Form 8-K, filed September 21, 2010).
- 10.4 Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International plc (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 21, 2010).
- 10.5 Amendment No. 1 to the 2010 Four-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks, the Japan Local Currency Banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.7 to the Company's Current Report on Form 8-K, filed September 16, 2011).
- 10.6 Amendment No. 2 to the 2010 Four-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks, the Japan Local Currency Banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 17, 2012).
- 10.7 Omnibus Amendment No. 3, dated as of September 12, 2013, to the 2010 Four-Year Credit Agreement and Amendment No. 1 to Local Currency Addendum to the 2010 Four-Year Credit Agreement, by and among the Company, Caterpillar, Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K filed September 17, 2013).
- 10.8 364-Day Credit Agreement dated September 12, 2013 (2013 364-Day Credit Agreement) among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 17, 2013).
- 10.9 Local Currency Addendum, dated as of September 12, 2013, to the 2013 364-Day Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International plc (incorporated by reference from Exhibit 99.2 to the Company's Current Report on Form 8-K, filed September 17, 2013).
- 10.10 Japan Local Currency Addendum, dated as of September 12, 2013, to the 2013 364-Day Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.3 to the Company's Current Report on Form 8-K, filed September 17, 2013).
- 10.11 Five-Year Credit Agreement, dated as of September 15, 2011 (2011 Five-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., Citibank International plc, The Bank of Tokyo-Mitsubishi UFJ Ltd., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 16, 2011).
- 10.12 Local Currency Addendum to the 2011 Five-Year Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International plc (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 16, 2011).
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- 10.14 Amendment No. 1 to the 2011 Five-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks, the Japan Local Currency Banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 17, 2012).
- 10.15 Omnibus Amendment No. 2, dated as of September 12, 2013, to the 2011 Five-Year Credit Agreement and Amendment No. 1 to Local Currency Addendum to the 2011 Five-Year Credit Agreement dated as of September 15, 2011, by and among the Company, Caterpillar, Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K filed September 17, 2013).
- 12 Computation of Ratio of Profit to Fixed Charges.
- 23 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32	Certifications of Kent M. Adams, President, Director and Chief Executive Officer of Caterpillar Financial Services Corporation, and James A. Duensing, Executive Vice President and Chief Financial Officer of Caterpillar Financial Services Corporation, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Caterpillar Financial Services Corporation**  
**(Registrant)**

**Date:** November 14, 2014

**By:** /s/ Leslie S. Zmugg

Leslie S. Zmugg, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Date</b>	<b>Signature</b>	<b>Title</b>
November 14, 2014	<u>/s/ Kent M. Adams</u> Kent M. Adams	President, Director and Chief Executive Officer
November 14, 2014	<u>/s/ Bradley M. Halverson</u> Bradley M. Halverson	Director
November 14, 2014	<u>/s/ James A. Duensing</u> James A. Duensing	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
November 14, 2014	<u>/s/ Jeffry D. Everett</u> Jeffry D. Everett	Controller (Principal Accounting Officer)

## EXHIBIT INDEX

- 3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 to the Company's Form 10 for the year ended December 31, 1984).
- 3.2 Bylaws of the Company, as amended (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2005).
- 4.1 Indenture, dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3, Commission File No. 33-2246).
- 4.2 First Supplemental Indenture, dated as of May 22, 1986, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 20, 1986).
- 4.3 Second Supplemental Indenture, dated as of March 15, 1987, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated April 24, 1987).
- 4.4 Third Supplemental Indenture, dated as of October 2, 1989, amending the Indenture dated as of April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 16, 1989).
- 4.5 Fourth Supplemental Indenture, dated as of October 1, 1990, amending the Indenture dated April 15, 1985, between the Company and Morgan Guaranty Trust Company of New York, as Trustee (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, dated October 29, 1990).
- 4.6 Indenture, dated as of July 15, 1991, between the Company and Continental Bank, National Association, as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, dated July 25, 1991).
- 4.7 First Supplemental Indenture, dated as of October 1, 2005, amending the Indenture dated as of July 15, 1991, between the Company and U.S. Bank Trust National Association (as successor to the former Trustee) (incorporated by reference from Exhibit 4.3 to Amendment No. 5 to the Company's Registration Statement on Form S-3 filed October 20, 2005, Commission File No. 333-114075).
- 4.8 Support Agreement, dated as of December 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.2 to the Company's amended Form 10, for the year ended December 31, 1984).
- 4.9 First Amendment to the Support Agreement dated June 14, 1995, between the Company and Caterpillar (incorporated by reference from Exhibit 4 to the Company's Current Report on Form 8-K, dated June 14, 1995).
- The registrant hereby undertakes upon request to furnish the Commission with a copy of any instrument with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.
- 10.1 Tax Sharing Agreement, dated as of June 21, 1984, between the Company and Caterpillar (incorporated by reference from Exhibit 10.3 to the Company's amended Form 10, for the year ended December 31, 1984).
- 10.2 Four-Year Credit Agreement, dated as of September 16, 2010 (2010 Four-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain other financial institutions named therein and Citibank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc, Banc of America Securities LLC, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 21, 2010).
- 10.3 Japan Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar Finance Corporation, the Japan Local Currency Banks named therein, Citibank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference from Exhibit 99.6 to the Company's Current Report on Form 8-K, filed September 21, 2010).
- 10.4 Local Currency Addendum to the 2010 Four-Year Credit Agreement among the Company, Caterpillar International Finance Limited, the Local Currency Banks named therein, Citibank, N.A. and Citibank International plc (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K, filed September 21, 2010).
- 10.5 Amendment No. 1 to the 2010 Four-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks, the Japan Local Currency Banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.7 to the Company's Current Report on Form 8-K, filed September 16, 2011).
- 10.6 Amendment No. 2 to the 2010 Four-Year Credit Agreement among the Company, Caterpillar, Caterpillar Finance Corporation, Caterpillar International Finance Limited, the Banks named therein, the Local Currency Banks, the Japan Local Currency Banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank International plc and Citibank, N.A. (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 17, 2012).
- 10.7 Omnibus Amendment No. 3, dated as of September 12, 2013, to the 2010 Four-Year Credit Agreement and Amendment No. 1 to Local Currency Addendum to the 2010 Four-Year Credit Agreement, by and among the Company, Caterpillar, Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K filed September 17, 2013).

10.8	364-Day Credit Agreement dated September 12, 2013 (2013 364-Day Credit Agreement) among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 17, 2013).
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10.11	Five-Year Credit Agreement, dated as of September 15, 2011 (2011 Five-Year Credit Agreement), among the Company, Caterpillar, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., Citibank International plc, The Bank of Tokyo-Mitsubishi UFJ Ltd., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (incorporated by reference from Exhibit 99.4 to the Company's Current Report on Form 8-K, filed September 16, 2011).
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## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (as restated)**

The management of Cat Financial is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the filing of our Form 10-K on February 18, 2014, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (1992)*. Based on our assessment, we concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

Subsequent to the evaluation made in connection with the filing of our Form 10-K on February 18, 2014, in preparing our consolidated financial statements for the quarter ended September 30, 2014, we identified immaterial errors impacting our previously issued financial statements, which led to the discovery of deficiencies in our internal control over financial reporting. We evaluated these control deficiencies, together with control deficiencies previously identified, and concluded that a material weakness relating to our Allowance for credit losses existed as of September 30, 2014. This caused us to reevaluate our previous conclusion on internal control over financial reporting as of December 31, 2013, and we have now concluded that the material weakness relating to our Allowance for credit losses existed as of December 31, 2013 and that we did not maintain effective internal control over financial reporting as of December 31, 2013.

### *Description of material weakness*

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the below material weakness in our internal control over financial reporting as of September 30, 2014. Management also determined that this material weakness existed as of December 31, 2013.

We did not design and maintain effective internal controls over the accuracy and completeness of information about loans identified as being impaired, which are used in evaluating the adequacy of our Allowance for credit losses. Specifically, we did not design or implement controls necessary to monitor the effectiveness of subsidiary level controls relating to compliance with Company policies and procedures for evaluating loans for impairment.

The material weakness described above resulted in immaterial adjustments to our Allowance for credit losses, deferred tax accounts, Provision for credit losses, and income tax expense, as well as related financial statement disclosures and revisions to our consolidated financial statements and disclosures for the years ended December 31, 2013, 2012, and 2011. Accordingly, the material weakness did not result in a material misstatement of our consolidated financial statements and disclosures for the years ended December 31, 2013, 2012, or 2011. Additionally, this material weakness could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm as stated in their report which appears herein.

## **REMEDIATION PLAN FOR MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

In response to the material weakness relating to our Allowance for credit losses, the Company has developed and is executing a remediation plan with the oversight of our Chief Executive Officer and Chief Financial Officer as described below.

The following actions have been taken to strengthen our internal controls and organizational structure:

- The Company has replaced a member of management, responsible for ensuring compliance with Company policies and procedures related to identifying and evaluating loans for impairment, at the subsidiary location where the control failure was identified.
- Cat Financial corporate management performed a subsidiary level review to identify any other subsidiaries not complying with policies and procedures related to identifying and evaluating loans for impairment. As a result of this review, we discovered one additional international subsidiary that was providing incomplete credit loss reporting as a result of a control deficiency at that subsidiary location. The impact of this control deficiency has been included in the evaluation and conclusions documented above. No other such control deficiencies were identified.
- The Company has conducted training sessions for our local subsidiary management responsible for reinforcing the understanding of our policies and procedures that impact the Allowance for credit losses at the subsidiaries where the control deficiencies were identified.

The Company also currently anticipates further improving its policies and procedures by:

- Strengthening our oversight controls to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses. Those oversight controls will be designed to operate at a level of precision sufficient to detect an error resulting from a related control failure at the subsidiary level before it results in a material misstatement of our consolidated financial statements; and
- Strengthening our testing of controls designed to ensure compliance at the subsidiary level with Company policies and procedures impacting the Allowance for credit losses to provide effective and timely identification of control deficiencies.

We believe these additional internal controls will be effective in remediating the material weakness described above and we will continue to devote significant time and attention to these remedial efforts. However, the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholder of Caterpillar Financial Services Corporation:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of profit, comprehensive income, changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of Caterpillar Financial Services Corporation and its subsidiaries (the "Company") at December 31, 2013, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Management and we previously concluded that the Company maintained effective internal control over financial reporting as of December 31, 2013. However, management has subsequently determined that a material weakness in internal control over financial reporting existed as of that date, related to the completeness and accuracy of loans identified as being impaired, which are used in evaluating the adequacy of the Company's allowance for credit losses. Accordingly, management's report has been restated and our present opinion on the internal control over financial reporting of the Company as presented herein, is different from that expressed in our previous report. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting existed as of that date related to the completeness and accuracy of loans identified as being impaired, which are used in evaluating the adequacy of the Company's allowance for credit losses. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in the accompanying Management's Report on Internal Control over Financial Reporting. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audits of the 2013 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**/s/ PricewaterhouseCoopers LLP**

Peoria, Illinois

February 18, 2014, except for the effects of the revisions described in Note 1 to the consolidated financial statements and the matter described in the fourth paragraph of Management's Report on Internal Control Over Financial Reporting, as to which the date is November 14, 2014



**Caterpillar Financial Services Corporation**  
**CONSOLIDATED STATEMENTS OF PROFIT**  
For the Years Ended December 31,  
(Dollars in Millions)

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>			
Retail finance	\$ 1,387	\$ 1,342	\$ 1,291
Operating lease	948	860	870
Wholesale finance	306	335	299
Other, net	144	156	185
Total revenues	<u>2,785</u>	<u>2,693</u>	<u>2,645</u>
<b>Expenses:</b>			
Interest	734	801	827
Depreciation on equipment leased to others	770	688	690
General, operating and administrative	427	416	405
Provision for credit losses	101	163	177
Other	24	29	34
Total expenses	<u>2,056</u>	<u>2,097</u>	<u>2,133</u>
Other income (expense)	<u>(35)</u>	<u>(12)</u>	<u>(14)</u>
<b>Profit before income taxes</b>	694	584	498
Provision for income taxes	<u>167</u>	<u>145</u>	<u>109</u>
<b>Profit of consolidated companies</b>	527	439	389
Less: Profit attributable to noncontrolling interests	<u>14</u>	<u>11</u>	<u>15</u>
<b>Profit<sup>1</sup></b>	<u>\$ 513</u>	<u>\$ 428</u>	<u>\$ 374</u>

<sup>1</sup> Profit attributable to Caterpillar Financial Services Corporation.

*See Notes to Consolidated Financial Statements.*

**Caterpillar Financial Services Corporation**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31,**  
**(Dollars in Millions)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Profit of consolidated companies	\$ 527	\$ 439	\$ 389
Other comprehensive income (loss), net of tax:			
Foreign currency translation, net of tax (expense)/benefit of: 2013-\$41; 2012-\$19; 2011-\$ (24)	(59)	62	(105)
Derivative financial instruments:			
Gains (losses) deferred, net of tax (expense)/benefit of: 2013-\$1; 2012-\$0; 2011-\$0	(1)	1	(1)
(Gains) losses reclassified to earnings, net of tax (expense)/benefit of: 2013-\$ (2); 2012-\$1; 2011-\$ (3)	4	(3)	9
Total Other comprehensive income (loss), net of tax	(56)	60	(97)
<b>Comprehensive income (loss)</b>	471	499	292
Less: Comprehensive income attributable to the noncontrolling interests	17	11	12
<b>Comprehensive income (loss) attributable to Caterpillar Financial Services Corporation</b>	<b>\$ 454</b>	<b>\$ 488</b>	<b>\$ 280</b>

*See Notes to Consolidated Financial Statements.*

**Caterpillar Financial Services Corporation**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**At December 31,**  
**(Dollars in Millions, except share data)**

	2013	2012	2011
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,320	\$ 2,080	\$ 1,176
Finance receivables (Note 3)			
Retail notes receivable	10,858	10,990	8,801
Wholesale notes receivable	4,153	4,238	4,368
Finance leases and installment sale contracts – Retail	14,551	13,695	12,465
Finance leases and installment sale contracts – Wholesale	480	643	425
	30,042	29,566	26,059
Less: Unearned income	(976)	(998)	(944)
Less: Allowance for credit losses	(387)	(429)	(371)
Total net finance receivables	28,679	28,139	24,744
Notes receivable from Caterpillar (Note 13)	345	360	327
Equipment on operating leases, less accumulated depreciation (Note 4)	3,544	2,970	2,618
Deferred and refundable income taxes (Note 11)	166	115	159
Other assets	1,060	1,071	1,083
<b>Total assets</b>	<b>\$ 35,114</b>	<b>\$ 34,735</b>	<b>\$ 30,107</b>
<b>Liabilities and stockholder's equity:</b>			
Payable to dealers and others	\$ 118	\$ 109	\$ 100
Payable to Caterpillar – other	80	73	59
Accrued expenses	251	267	292
Income taxes payable	52	70	60
Payable to Caterpillar – borrowings (Note 13)	1,118	208	—
Short-term borrowings (Note 7)	3,663	4,651	3,895
Current maturities of long-term debt (Note 8)	6,592	5,991	5,102
Long-term debt (Note 8)	18,737	19,098	16,532
Deferred income taxes and other liabilities (Note 11)	512	548	596
<b>Total liabilities</b>	<b>31,123</b>	<b>31,015</b>	<b>26,636</b>
<b>Commitments and contingent liabilities (Note 10)</b>			
<b>Common stock - \$1 par value</b>			
Authorized: 2,000 shares; Issued and outstanding: one share (at paid-in amount)	745	745	745
Additional paid-in capital	2	2	2
Retained earnings	3,004	2,691	2,513
Accumulated other comprehensive income/(loss)	117	176	116
Noncontrolling interests	123	106	95
<b>Total stockholder's equity</b>	<b>3,991</b>	<b>3,720</b>	<b>3,471</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 35,114</b>	<b>\$ 34,735</b>	<b>\$ 30,107</b>

See Notes to Consolidated Financial Statements.

**Caterpillar Financial Services Corporation**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
For the Years Ended December 31,  
(Dollars in Millions)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	Noncontrolling interests	Total
<b>Balance at December 31, 2010</b>	\$ 745	\$ 2	\$ 2,739	\$ 217	\$ 83	\$ 3,786
Profit of consolidated companies			374		15	389
Dividend paid to Caterpillar			(600)			(600)
Foreign currency translation, net of tax				(109)	4	(105)
Change in ownership for noncontrolling interests					(7)	(7)
Derivative financial instruments, net of tax				8		8
<b>Balance at December 31, 2011</b>	<u>\$ 745</u>	<u>\$ 2</u>	<u>\$ 2,513</u>	<u>\$ 116</u>	<u>\$ 95</u>	<u>\$ 3,471</u>
<b>Balance at December 31, 2011</b>	<u>\$ 745</u>	<u>\$ 2</u>	<u>\$ 2,513</u>	<u>\$ 116</u>	<u>\$ 95</u>	<u>\$ 3,471</u>
Profit of consolidated companies			428		11	439
Dividend paid to Caterpillar			(250)			(250)
Foreign currency translation, net of tax				62	—	62
Derivative financial instruments, net of tax				(2)		(2)
<b>Balance at December 31, 2012</b>	<u>\$ 745</u>	<u>\$ 2</u>	<u>\$ 2,691</u>	<u>\$ 176</u>	<u>\$ 106</u>	<u>\$ 3,720</u>
<b>Balance at December 31, 2012</b>	<u>\$ 745</u>	<u>\$ 2</u>	<u>\$ 2,691</u>	<u>\$ 176</u>	<u>\$ 106</u>	<u>\$ 3,720</u>
Profit of consolidated companies			513		14	527
Dividend paid to Caterpillar			(200)			(200)
Foreign currency translation, net of tax				(62)	3	(59)
Derivative financial instruments, net of tax				3		3
<b>Balance at December 31, 2013</b>	<u>\$ 745</u>	<u>\$ 2</u>	<u>\$ 3,004</u>	<u>\$ 117</u>	<u>\$ 123</u>	<u>\$ 3,991</u>

*See Notes to Consolidated Financial Statements.*

**Caterpillar Financial Services Corporation**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31,  
(Dollars in Millions)

	2013	2012	2011
<b>Cash flows from operating activities:</b>			
Profit of consolidated companies	\$ 527	\$ 439	\$ 389
Adjustments for non-cash items:			
Depreciation and amortization	790	707	710
Amortization of receivables purchase discount	(233)	(241)	(212)
Provision for credit losses	101	163	177
Gain on sales of receivables	(4)	(3)	(4)
Other, net	77	1	(61)
Changes in assets and liabilities:			
Receivables from others	25	(22)	16
Other receivables/payables with Caterpillar	1	11	(13)
Payable to dealers and others	(95)	(34)	2
Accrued interest payable	(22)	(13)	(17)
Accrued expenses and other liabilities, net	(4)	(18)	(51)
Income taxes payable	(65)	48	34
Payments on interest rate swaps	(2)	(4)	(2)
Net cash provided by operating activities	1,096	1,034	968
<b>Cash flows from investing activities:</b>			
Capital expenditures for equipment on operating leases and other capital expenditures	(1,822)	(1,660)	(1,190)
Proceeds from disposals of equipment	681	875	1,161
Additions to finance receivables	(14,075)	(18,750)	(17,053)
Collections of finance receivables	12,256	14,789	15,259
Net changes in Caterpillar purchased receivables	181	250	(1,164)
Proceeds from sales of receivables	227	144	207
Net change in variable lending to Caterpillar	32	(32)	55
Additions to other notes receivable with Caterpillar	(45)	(107)	(184)
Collections on other notes receivable with Caterpillar	29	103	77
Restricted cash and cash equivalents activity, net	2	45	27
Other, net	3	(4)	6
Net cash (used in) provided by investing activities	(2,531)	(4,347)	(2,799)
<b>Cash flows from financing activities:</b>			
Net change in variable lending from Caterpillar	(65)	203	—
Proceeds from borrowings with Caterpillar	1,000	—	—
Payments on borrowings with Caterpillar	—	—	(600)
Proceeds from debt issued (original maturities greater than three months)	9,133	13,806	10,873
Payments on debt issued (original maturities greater than three months)	(9,101)	(9,935)	(8,277)
Short-term borrowings, net (original maturities three months or less)	(70)	480	(97)
Dividend paid to Caterpillar	(200)	(250)	(600)
Acquisition of noncontrolling interest	—	—	(7)
Net cash provided by (used in) financing activities	697	4,304	1,292
Effect of exchange rate changes on cash and cash equivalents	(22)	(87)	39
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(760)</b>	<b>904</b>	<b>(500)</b>
Cash and cash equivalents at beginning of period	2,080	1,176	1,676
Cash and cash equivalents at end of period	\$ 1,320	\$ 2,080	\$ 1,176
Cash paid for interest	\$ 713	\$ 797	\$ 823
Cash paid for taxes	\$ 192	\$ 101	\$ 96
All short-term investments, which consist primarily of highly liquid investments with original maturities of three months or less, are considered to be cash equivalents.			

See Notes to Consolidated Financial Statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Nature of Operations**

Caterpillar Financial Services Corporation, a Delaware corporation organized in 1981 (together with its subsidiaries, "Cat Financial," "the Company," "we" and "our"), is a wholly-owned finance subsidiary of Caterpillar Inc. (together with its other subsidiaries, "Caterpillar" or "Cat"). Our primary business is to provide retail and wholesale financing alternatives for Caterpillar products to customers and dealers around the world. Retail financing is primarily comprised of financing of Caterpillar equipment, machinery and engines. In addition, we also provide financing for vehicles, power generation facilities and marine vessels that, in most cases, incorporate Caterpillar products. We also provide wholesale financing to Caterpillar dealers and purchase short-term receivables from Caterpillar.

#### **B. Basis of Consolidation**

The consolidated financial statements include the accounts of Cat Financial. Investments in companies that are owned 20 percent to 50 percent or are less than 20 percent owned and for which we have significant influence are accounted for by the equity method. Investments in companies that are less than 20 percent owned and for which we do not have significant influence are accounted for by the cost method. All material intercompany balances have been eliminated.

We consolidate all variable-interest entities (VIEs) where we are the primary beneficiary. For VIEs, we assess whether we are the primary beneficiary as prescribed by the accounting guidance on the consolidation of VIEs. The primary beneficiary of a VIE is the party that has the power to direct the activities that most significantly impact the performance of the entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. Please refer to Note 10 for more information.

#### **Revision of prior period financial statements**

In preparing our consolidated financial statements for the quarter ended September 30, 2014, we identified immaterial errors that impacted our previously issued consolidated financial statements for the interim periods ended March 31, 2014 and June 30, 2014 and the interim and annual periods ended December 31, 2013, 2012 and 2011. The prior period errors primarily relate to our Allowance for credit losses and our valuation of debt instruments in fair value hedges. Specifically as relating to our Allowance for credit losses, at one of our international subsidiary locations, an internal audit review during the second quarter 2014 identified certain finance receivables not appropriately evaluated for impairment. As a result, management performed a subsidiary level analysis during the third quarter which discovered one additional international subsidiary that was providing incomplete credit loss reporting. Both errors impacted management's evaluation of the adequacy of the Allowance for credit losses. With respect to fair value hedges, when debt instruments in fair value hedge transactions matured in 2014, management controls identified carrying value adjustments associated with the matured debt remaining on the balance sheet. Upon investigation, we learned that an incorrect discount rate was being used to value the hedged debt over the term of the hedge relationship.

We evaluated these errors and concluded that they did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements. However, if the entire correction was recorded out-of-period in the third quarter of 2014, the cumulative amount would have been material to estimated Profit for the year ending December 31, 2014 and would have impacted comparisons to prior periods. As such, the revisions for these corrections are reflected in the financial information of the applicable prior periods and will be reflected in future filings containing such financial information.

The following tables present the effect of these revisions for the financial statement line items impacted in the affected periods included within this annual financial report.

## Revised Consolidated Statements of Profit Amounts

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
	Year Ended December 31, 2013			Year Ended December 31, 2012		
Retail finance	\$ 1,388	\$ (1)	\$ 1,387	\$ 1,342	\$ —	\$ 1,342
Operating lease revenue	945	3	948	860	—	860
Total revenues	2,783	2	2,785	2,693	—	2,693
Depreciation on equipment leased to others	768	2	770	688	—	688
Provision for credit losses	94	7	101	161	2	163
Total expenses	2,047	9	2,056	2,095	2	2,097
Other income (expense)	(18)	(17)	(35)	(7)	(5)	(12)
<b>Profit before income taxes</b>	718	(24)	694	591	(7)	584
Provision for income taxes	174	(7)	167	148	(3)	145
<b>Profit of consolidated companies</b>	544	(17)	527	443	(4)	439
<b>Profit</b>	\$ 530	\$ (17)	\$ 513	\$ 432	\$ (4)	\$ 428

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised
	Year Ended December 31, 2011		
Provision for credit losses	\$ 176	\$ 1	\$ 177
Total expenses	2,132	1	2,133
Other income (expense)	(9)	(5)	(14)
<b>Profit before income taxes</b>	504	(6)	498
Provision for income taxes	111	(2)	109
<b>Profit of consolidated companies</b>	393	(4)	389
<b>Profit</b>	\$ 378	\$ (4)	\$ 374

## Revised Consolidated Statements of Comprehensive Income Amounts

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
	Year Ended December 31, 2013			Year Ended December 31, 2012		
Profit of consolidated companies	\$ 544	\$ (17)	\$ 527	\$ 443	\$ (4)	\$ 439
<b>Comprehensive income (loss)</b>	488	(17)	471	503	(4)	499
<b>Comprehensive income (loss) attributable to Caterpillar Financial Services Corporation</b>	\$ 471	\$ (17)	\$ 454	\$ 492	\$ (4)	\$ 488

(Millions of dollars)	As		
	Previously	Adjustment	As Revised
	Reported		
	Year Ended December 31, 2011		
Profit of consolidated companies	\$ 393	\$ (4)	\$ 389
<b>Comprehensive income (loss)</b>	296	(4)	292
<b>Comprehensive income (loss) attributable to Caterpillar Financial Services Corporation</b>	<b>\$ 284</b>	<b>\$ (4)</b>	<b>\$ 280</b>

## Revised Consolidated Statements of Financial Position Amounts

(Millions of dollars)	As			As		
	Previously	Adjustment	As Revised	Previously	Adjustment	As Revised
	Reported			Reported		
	December 31, 2013			December 31, 2012		
Retail notes receivable	\$ 10,863	\$ (5)	\$ 10,858	\$ 11,111	\$ (121)	\$ 10,990
Finance leases and installment sale contracts - Retail	14,582	(31)	14,551	13,589	106	13,695
<b>Total finance receivables</b>	<b>30,078</b>	<b>(36)</b>	<b>30,042</b>	<b>29,581</b>	<b>(15)</b>	<b>29,566</b>
Less: Allowance for credit losses	(378)	(9)	(387)	(426)	(3)	(429)
<b>Total net finance receivables</b>	<b>28,724</b>	<b>(45)</b>	<b>28,679</b>	<b>28,157</b>	<b>(18)</b>	<b>28,139</b>
Equipment on operating leases, less accumulated depreciation	3,530	14	3,544	2,959	11	2,970
Deferred and refundable income taxes	160	6	166	115	—	115
Other assets	1,059	1	1,060	1,071	—	1,071
<b>Total assets</b>	<b>\$ 35,138</b>	<b>\$ (24)</b>	<b>\$ 35,114</b>	<b>\$ 34,742</b>	<b>\$ (7)</b>	<b>\$ 34,735</b>
Payable to Caterpillar - other	\$ 96	\$ (16)	\$ 80	\$ 85	\$ (12)	\$ 73
Long-term debt	18,720	17	18,737	19,086	12	19,098
Deferred income taxes and other liabilities	517	(5)	512	552	(4)	548
<b>Total liabilities</b>	<b>31,127</b>	<b>(4)</b>	<b>31,123</b>	<b>31,019</b>	<b>(4)</b>	<b>31,015</b>
Retained earnings	3,024	(20)	3,004	2,694	(3)	2,691
<b>Total stockholder's equity</b>	<b>4,011</b>	<b>(20)</b>	<b>3,991</b>	<b>3,723</b>	<b>(3)</b>	<b>3,720</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 35,138</b>	<b>\$ (24)</b>	<b>\$ 35,114</b>	<b>\$ 34,742</b>	<b>\$ (7)</b>	<b>\$ 34,735</b>



(Millions of dollars)

	As Previously Reported	Adjustment	As Revised
December 31, 2011			
Retail notes receivable	\$ 8,840	\$ (39)	\$ 8,801
Finance leases and installment sale contracts - Retail	12,436	29	12,465
Total finance receivables	26,069	(10)	26,059
Less: Allowance for credit losses	(369)	(2)	(371)
Total net finance receivables	24,756	(12)	24,744
Equipment on operating leases, less accumulated depreciation	2,611	7	2,618
<b>Total assets</b>	<b>\$ 30,112</b>	<b>\$ (5)</b>	<b>\$ 30,107</b>
Payable to Caterpillar - other	\$ 67	\$ (8)	\$ 59
Long-term debt	16,529	3	16,532
Deferred income taxes and other liabilities	597	(1)	596
<b>Total liabilities</b>	<b>26,642</b>	<b>(6)</b>	<b>26,636</b>
Retained earnings	2,512	1	2,513
<b>Total stockholder's equity</b>	<b>3,470</b>	<b>1</b>	<b>3,471</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 30,112</b>	<b>\$ (5)</b>	<b>\$ 30,107</b>

#### Revised Consolidated Statements of Changes in Stockholder's Equity Amounts

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised		As Previously Reported	Adjustment	As Revised
December 31, 2013				December 31, 2012			
Profit	\$ 530	\$ (17)	\$ 513	Profit	\$ 432	\$ (4)	\$ 428
<b>Retained Earnings - Balance at December 31, 2013</b>	<b>\$ 3,024</b>	<b>\$ (20)</b>	<b>\$ 3,004</b>	<b>Retained Earnings - Balance at December 31, 2012</b>	<b>\$ 2,694</b>	<b>\$ (3)</b>	<b>\$ 2,691</b>

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised
December 31, 2011			
Profit	\$ 378	\$ (4)	\$ 374
<b>Retained Earnings - Balance at December 31, 2011</b>	<b>\$ 2,512</b>	<b>\$ 1</b>	<b>\$ 2,513</b>

## Revised Consolidated Statements of Cash Flows Amounts

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised
Year Ended December 31, 2013			
Profit of consolidated companies	\$ 544	\$ (17)	\$ 527
Depreciation and amortization	788	2	790
Provision for credit losses	94	7	101
Other, net	60	17	77
Receivables from others	26	(1)	25
Other receivables/payables with Caterpillar	5	(4)	1
Accrued expenses and other liabilities, net	3	(7)	(4)
Net cash provided by operating activities	1,099	(3)	1,096
Expenditures for equipment on operating leases and for non-leased equipment	(1,806)	(16)	(1,822)
Additions to finance receivables	(14,095)	20	(14,075)
Collections of finance receivables	12,257	(1)	12,256
Net cash provided by (used for) investing activities	\$ (2,534)	\$ 3	\$ (2,531)

(Millions of dollars)

	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
	Year Ended December 31, 2012			Year Ended December 31, 2011		
Profit of consolidated companies	\$ 443	\$ (4)	\$ 439	\$ 393	\$ (4)	\$ 389
Provision for credit losses	161	2	163	176	1	177
Other, net	(4)	5	1	(66)	5	(61)
Other receivables/payables with Caterpillar	15	(4)	11	(8)	(5)	(13)
Accrued expenses and other liabilities, net	(15)	(3)	(18)	(49)	(2)	(51)
Net cash provided by operating activities	1,038	(4)	1,034	973	(5)	968
Additions to finance receivables	(18,754)	4	(18,750)	(17,058)	5	(17,053)
Net cash provided by (used for) investing activities	\$ (4,351)	\$ 4	\$ (4,347)	\$ (2,804)	\$ 5	\$ (2,799)

The Notes to the Consolidated Financial Statements have been revised to reflect the above revisions for all periods presented.

### C. Recognition of Earned Income

- Retail finance revenue on finance leases and installment sale contracts is recognized over the term of the contract at a constant rate of return on the scheduled outstanding principal balance. Revenue on retail notes is recognized based on the daily balance of retail receivables outstanding and the applicable effective interest rate.
- Operating lease revenue is recorded on a straight-line basis in the period earned over the life of the contract.
- Wholesale finance revenue on installment sale contracts and finance leases related to financing dealer inventory and rental fleets is recognized over the term of the contract at a constant rate of return on the scheduled outstanding principal balance. Revenue on wholesale notes is recognized based on the daily balance of wholesale receivables outstanding and the applicable effective interest rate.
- Loan origination and commitment fees are deferred and amortized to revenue using the interest method over the life of the finance receivables.

Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the receivable becomes contractually current and/or collection doubts are removed. Cash receipts on impaired finance receivables are first recorded against the receivable and then to any unrecognized income. A finance receivable is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. We consider a loan or finance lease past due if any portion of a contractual payment is due and unpaid for more than 30 days.

Revenues are presented net of sales and other related taxes.

#### **D. Depreciation**

Depreciation for equipment on operating leases is recognized using the straight-line method over the lease term, typically one to seven years. The depreciable basis is the original cost of the equipment less the estimated residual value of the equipment at the end of the lease term.

#### **E. Residual Values**

The residuals for leases classified as operating leases are included in Equipment on operating leases. The residuals for leases classified as capital leases, in accordance with lease accounting, are included in finance leases and installment sale contracts.

During the term of the leases, residual amounts are monitored. If estimated market values reflect a non-temporary impairment due to economic factors, obsolescence or other adverse circumstances, the residuals are adjusted to the lower estimated values by a charge to earnings. For equipment on operating leases, the charge is recognized through depreciation expense. For finance leases, it is recognized through a reduction of finance revenue.

#### **F. Debt Issuance Costs**

Debt issuance costs are capitalized and amortized to Interest expense over the term of the debt issue.

#### **G. Derivative Financial Instruments**

Our earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. Our Risk Management Policy allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposures and not for the purpose of creating speculative positions. Derivatives that we use are primarily foreign currency forward and option contracts, cross currency contracts and interest rate swaps. All derivatives are recorded at fair value. See Note 9 for additional information.

#### **H. Allowance for Credit Losses**

The Allowance for credit losses is an estimate of the losses inherent in our finance receivable portfolio and includes consideration of accounts that have been individually identified as impaired, as well as pools of finance receivables where it is probable that certain receivables in the pool are impaired but the individual accounts cannot yet be identified. In identifying and measuring impairment, management takes into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions. In estimating probable credit losses, we review accounts that are past due, non-performing, in bankruptcy or otherwise identified as at-risk for potential credit loss including accounts which have been modified. Accounts are identified as at-risk for potential credit loss using information available about the customer, such as financial statements, news reports and published credit ratings, as well as general information regarding industry trends and the economic environment in which our customers operate.

The Allowance for credit losses attributable to specific accounts is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral less selling costs. We also consider credit enhancements such as additional collateral and contractual third-party guarantees. The Allowance for credit losses attributable to the remaining accounts not yet individually identified as impaired is estimated utilizing probabilities of default and the estimated loss given default. In addition, qualitative factors not able to be fully captured in previous analysis including industry trends, macroeconomic factors and model imprecision are considered in the evaluation of the adequacy of the Allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

Uncollectible receivable balances, including accrued interest, are written off against the Allowance for credit losses when the underlying collateral is repossessed or when we determine that it is probable that the receivable balance is uncollectible. Subsequent recoveries, if any, are credited to the Allowance for credit losses when received.

## **I. Income Taxes**

The Provision for income taxes is determined using the asset and liability approach. Tax laws require items to be included in tax filings at different times than the items are reflected in the financial statements. A current liability is recognized for the estimated taxes payable for the current year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. Deferred taxes are adjusted for enacted changes in tax rates and tax laws. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

When appropriate, we combine certain income tax filings with those of Caterpillar. In such instances, in accordance with our tax sharing agreement with Caterpillar, we generally pay to or receive from Caterpillar our allocated share of income taxes or credits based on our relative share of taxable income or loss.

## **J. Foreign Currency Translation**

Assets and liabilities of foreign subsidiaries (the majority of which use the local currency as their functional currency) are translated at current exchange rates. The effects of translation adjustments are reported as a separate component of Accumulated other comprehensive income entitled "Foreign currency translation." Gains and losses resulting from the remeasurement of foreign currency amounts to functional currency are included in Other income (expense) on the Consolidated Statements of Profit.

## **K. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts. Significant estimates include the Allowance for credit losses, residual values for leased assets, income taxes and the assumptions used to determine the fair value of derivatives. Actual results may differ from these estimates.

## **L. New Accounting Pronouncements**

**Presentation of comprehensive income** – In June 2011, the FASB issued accounting guidance on the presentation of comprehensive income. The guidance provides two options for presenting net income and other comprehensive income. The total of comprehensive income, the components of net income, and the components of other comprehensive income may be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. We elected to present two separate statements. This guidance was effective January 1, 2012.

**Disclosures about offsetting assets and liabilities** – In December 2011, the FASB issued accounting guidance on disclosures about offsetting assets and liabilities. The guidance requires entities to disclose both gross and net information about instruments and transactions that are offset in the statement of financial position, as well as instruments and transactions that are subject to an enforceable master netting arrangement or similar agreement. In January 2013, the FASB issued guidance clarifying the scope of the disclosures to apply only to derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. This guidance was effective January 1, 2013, with retrospective application required. The guidance did not have a material impact on our financial statements. See Note 9 for additional information.

**Reporting of amounts reclassified out of accumulated other comprehensive income** – In February 2013, the FASB issued accounting guidance on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. For other amounts not required to be reclassified in their entirety to net income in the same reporting period, a cross reference to other disclosures that provide additional detail about the reclassification amounts is required. This guidance was effective January 1, 2013 and did not have a material impact on our financial statements. See Note 2 for additional information.

**Joint and several liability arrangements** – In February 2013, the FASB issued accounting guidance on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements. The guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The entity is also required to disclose the nature and amount of the obligation as well as any other information about those obligations. This guidance is effective January 1, 2014, with retrospective application required. We do not expect the adoption to have a material impact on our financial statements.

**Parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity** – In March 2013, the FASB issued accounting guidance on the parent's accounting for the cumulative translation adjustment (CTA) upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The new standard clarifies existing guidance regarding when the CTA should be released into earnings upon various deconsolidation and consolidation transactions. This guidance is effective January 1, 2014. We do not expect the adoption to have a material impact on our financial statements.

**Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists** – In July 2013, the FASB issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward in the financial statements if available under the applicable tax jurisdiction. The guidance is effective January 1, 2014. We do not expect the adoption to have a material impact on our financial statements.

## **NOTE 2 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

Comprehensive income/(loss) and its components are presented in the Consolidated Statements of Comprehensive Income. Changes in Accumulated other comprehensive income/(loss), net of tax, included in the Consolidated Statements of Changes in Stockholder's Equity, consisted of the following:

(Millions of dollars)	Foreign currency translation	Derivative financial instruments	Total
Balance at December 31, 2011	\$ 122	\$ (6)	\$ 116
Balance at December 31, 2012	\$ 184	\$ (8)	\$ 176
Balance at December 31, 2012	\$ 184	\$ (8)	\$ 176
Other comprehensive income/(loss) before reclassifications	(62)	(1)	(63)
Amounts reclassified from accumulated other comprehensive income/(loss)	—	4	4
Other comprehensive income/(loss)	(62)	3	(59)
Balance at December 31, 2013	\$ 122	\$ (5)	\$ 117

The effect of the reclassifications out of Accumulated other comprehensive income/(loss) on the Consolidated Statements of Profit during the year ended December 31, 2013 was as follows:

(Millions of dollars)	Classification of income (expense)	2013
Foreign exchange contracts	Other income (expense)	\$ —
Interest rate contracts	Interest expense	(6)
Reclassifications before tax		(6)
Tax (provision) benefit		2
<b>Total reclassifications from Accumulated other comprehensive income/(loss)</b>		<b>\$ (4)</b>

### **NOTE 3 – FINANCING ACTIVITIES**

#### **A. Contractual Maturities of Finance Receivables**

The contractual maturities and future scheduled payments of outstanding receivables, as of December 31, 2013, were:

(Millions of dollars)							
Amounts due in	Retail Installment Sale Contracts	Wholesale Installment Sale Contracts	Retail Finance Leases	Wholesale Finance Leases	Retail Notes	Wholesale Notes	Total
2014	\$ 2,218	\$ 145	\$ 3,265	\$ 84	\$ 3,626	\$ 3,749	\$ 13,087
2015	1,709	24	2,207	64	2,262	231	6,497
2016	1,156	14	1,309	37	1,757	150	4,423
2017	626	3	593	17	1,474	18	2,731
2018	215	—	206	9	669	5	1,104
Thereafter	29	—	139	—	1,070	—	1,238
	5,953	186	7,719	211	10,858	4,153	29,080
Guaranteed residual value	—	—	385	58	—	—	443
Unguaranteed residual value	—	—	494	25	—	—	519
Less: Unearned income	(100)	(1)	(739)	(22)	(89)	(25)	(976)
Total	\$ 5,853	\$ 185	\$ 7,859	\$ 272	\$ 10,769	\$ 4,128	\$ 29,066
Less: Allowance for credit losses							(387)
Total net finance receivables							\$ 28,679

Receivables generally may be repaid or refinanced without penalty prior to contractual maturity, and we also sell receivables. Accordingly, this presentation should not be regarded as a forecast of future cash collections.

#### **B. Credit Quality of Financing Receivables and Allowance for Credit Losses**

We apply a systematic methodology to determine the Allowance for credit losses for finance receivables. Based upon our analysis of credit losses and risk factors, our portfolio segments are as follows:

- **Customer** - Finance receivables with retail customers.
- **Dealer** - Finance receivables with Caterpillar dealers.
- **Caterpillar Purchased Receivables** - Trade receivables purchased from Caterpillar entities.

We further evaluate our portfolio segments by the class of finance receivables, which is defined as a level of information (below a portfolio segment) in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. Typically, our finance receivables within a geographic area have similar credit risk profiles and methods for assessing and monitoring credit risk. Our classes, which align with management reporting for credit losses, are as follows:

- **North America** - Finance receivables originated in the United States or Canada.
- **Europe** - Finance receivables originated in Europe, Africa, Middle East and the Commonwealth of Independent States.
- **Asia/Pacific** - Finance receivables originated in Australia, New Zealand, China, Japan, South Korea and Southeast Asia.
- **Mining** - Finance receivables related to large mining customers worldwide.
- **Latin America** - Finance receivables originated in Central and South American countries and Mexico.
- **Caterpillar Power Finance** - Finance receivables related to marine vessels with Caterpillar engines worldwide and Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems worldwide.

### Impaired loans and finance leases

For all classes, a loan or finance lease is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. Loans and finance leases reviewed for impairment include loans and finance leases that are past due, non-performing or in bankruptcy. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans or finance leases are recorded against the receivable and then to any unrecognized income.

There were no impaired loans or finance leases as of December 31, 2013, 2012 and 2011, for the Dealer and Caterpillar Purchased Receivables portfolio segments. The average recorded investment for impaired loans and finance leases for the Dealer and Caterpillar Purchased Receivables portfolio segments was zero during 2013, 2012 and 2011.

Individually impaired loans and finance leases for the Customer portfolio segment were as follows:

(Millions of dollars)						
Impaired Loans and Finance Leases With No Allowance Recorded	As of December 31, 2013			As of December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b>Customer</b>						
North America	\$ 23	\$ 22	\$ —	\$ 28	\$ 27	\$ —
Europe	48	47	—	45	45	—
Asia/Pacific	7	7	—	2	2	—
Mining	134	134	—	1	1	—
Latin America	11	11	—	7	7	—
Caterpillar Power Finance	223	222	—	295	295	—
<b>Total</b>	<b>\$ 446</b>	<b>\$ 443</b>	<b>\$ —</b>	<b>\$ 378</b>	<b>\$ 377</b>	<b>\$ —</b>
<b>Impaired Loans and Finance Leases With An Allowance Recorded</b>						
<b>Customer</b>						
North America	\$ 13	\$ 13	\$ 4	\$ 25	\$ 23	\$ 7
Europe	20	19	7	28	26	11
Asia/Pacific	17	17	2	19	19	4
Mining	—	—	—	—	—	—
Latin America	33	33	9	36	36	10
Caterpillar Power Finance	110	106	51	113	109	24
<b>Total</b>	<b>\$ 193</b>	<b>\$ 188</b>	<b>\$ 73</b>	<b>\$ 221</b>	<b>\$ 213</b>	<b>\$ 56</b>
<b>Total Impaired Loans and Finance Leases</b>						
<b>Customer</b>						
North America	\$ 36	\$ 35	\$ 4	\$ 53	\$ 50	\$ 7
Europe	68	66	7	73	71	11
Asia/Pacific	24	24	2	21	21	4
Mining	134	134	—	1	1	—
Latin America	44	44	9	43	43	10
Caterpillar Power Finance	333	328	51	408	404	24
<b>Total</b>	<b>\$ 639</b>	<b>\$ 631</b>	<b>\$ 73</b>	<b>\$ 599</b>	<b>\$ 590</b>	<b>\$ 56</b>

(Millions of dollars)

Impaired Loans and Finance Leases With No Allowance Recorded	As of December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b>Customer</b>			
North America	\$ 83	\$ 80	\$ —
Europe	47	46	—
Asia/Pacific	4	4	—
Mining	8	8	—
Latin America	9	9	—
Caterpillar Power Finance	175	170	—
Total	<u>\$ 326</u>	<u>\$ 317</u>	<u>\$ —</u>
<b>Impaired Loans and Finance Leases With An Allowance Recorded</b>			
<b>Customer</b>			
North America	\$ 23	\$ 20	\$ 6
Europe	22	21	8
Asia/Pacific	9	9	3
Mining	—	—	—
Latin America	23	23	6
Caterpillar Power Finance	85	85	13
Total	<u>\$ 162</u>	<u>\$ 158</u>	<u>\$ 36</u>
<b>Total Impaired Loans and Finance Leases</b>			
<b>Customer</b>			
North America	\$ 106	\$ 100	\$ 6
Europe	69	67	8
Asia/Pacific	13	13	3
Mining	8	8	—
Latin America	32	32	6
Caterpillar Power Finance	260	255	13
Total	<u>\$ 488</u>	<u>\$ 475</u>	<u>\$ 36</u>



(Millions of dollars)

Impaired Loans and Finance Leases With No Allowance Recorded	Year Ended December 31, 2013		Year Ended December 31, 2012		Year Ended December 31, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>Customer</b>						
North America	\$ 25	\$ 3	\$ 50	\$ 3	\$ 91	\$ 4
Europe	49	1	45	1	11	—
Asia/Pacific	4	—	3	—	5	—
Mining	61	3	8	—	8	1
Latin America	11	—	6	—	9	1
Caterpillar Power Finance	271	5	220	2	221	6
Total	<u>\$ 421</u>	<u>\$ 12</u>	<u>\$ 332</u>	<u>\$ 6</u>	<u>\$ 345</u>	<u>\$ 12</u>
<b>Impaired Loans and Finance Leases With An Allowance Recorded</b>						
<b>Customer</b>						
North America	\$ 18	\$ 1	\$ 25	\$ 1	\$ 56	\$ 2
Europe	22	1	27	1	20	—
Asia/Pacific	18	1	15	1	11	1
Mining	1	—	—	—	—	—
Latin America	52	2	32	2	15	—
Caterpillar Power Finance	135	1	94	—	61	—
Total	<u>\$ 246</u>	<u>\$ 6</u>	<u>\$ 193</u>	<u>\$ 5</u>	<u>\$ 163</u>	<u>\$ 3</u>
<b>Total Impaired Loans and Finance Leases</b>						
<b>Customer</b>						
North America	\$ 43	\$ 4	\$ 75	\$ 4	\$ 147	\$ 6
Europe	71	2	72	2	31	—
Asia/Pacific	22	1	18	1	16	1
Mining	62	3	8	—	8	1
Latin America	63	2	38	2	24	1
Caterpillar Power Finance	406	6	314	2	282	6
Total	<u>\$ 667</u>	<u>\$ 18</u>	<u>\$ 525</u>	<u>\$ 11</u>	<u>\$ 508</u>	<u>\$ 15</u>

#### Non-accrual and past due loans and finance leases

For all classes, we consider a loan or finance lease past due if any portion of a contractual payment is due and unpaid for more than 30 days. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed.

As of December 31, 2013, 2012 and 2011, there were no loans or finance leases on non-accrual status for the Dealer or Caterpillar Purchased Receivables portfolio segments.

The investment in customer loans and finance leases on non-accrual status as of December 31, was as follows:

(Millions of dollars)			
	2013	2012	2011
<b>Customer</b>			
North America	\$ 26	\$ 59	\$ 112
Europe	28	38	58
Asia/Pacific	50	36	24
Mining	23	12	12
Latin America	210	163	116
Caterpillar Power Finance	119	220	158
Total	<u>\$ 456</u>	<u>\$ 528</u>	<u>\$ 480</u>

Aging related to loans and finance leases was as follows:

(Millions of dollars)								
	December 31, 2013							
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing	
<b>Customer</b>								
North America	\$ 37	\$ 12	\$ 24	\$ 73	\$ 6,507	\$ 6,580	\$ 6	
Europe	26	15	29	70	2,805	2,875	8	
Asia/Pacific	55	46	59	160	3,158	3,318	11	
Mining	3	—	12	15	2,128	2,143	—	
Latin America	54	25	196	275	2,438	2,713	5	
Caterpillar Power Finance	55	30	60	145	2,946	3,091	—	
<b>Dealer</b>								
North America	—	—	—	—	3,034	3,034	—	
Europe	—	—	—	—	569	569	—	
Asia/Pacific	—	—	—	—	706	706	—	
Mining	—	—	—	—	5	5	—	
Latin America	—	—	—	—	940	940	—	
Caterpillar Power Finance	—	—	—	—	—	—	—	
<b>Caterpillar Purchased Receivables</b>								
North America	26	5	2	33	1,539	1,572	2	
Europe	2	1	1	4	423	427	—	
Asia/Pacific	—	—	—	—	468	468	—	
Mining	—	—	—	—	—	—	—	
Latin America	—	—	—	—	616	616	—	
Caterpillar Power Finance	—	—	1	1	8	9	1	
Total	<u>\$ 258</u>	<u>\$ 134</u>	<u>\$ 384</u>	<u>\$ 776</u>	<u>\$ 28,290</u>	<u>\$ 29,066</u>	<u>\$ 33</u>	

(Millions of dollars)

	December 31, 2012						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
<b>Customer</b>							
North America	\$ 35	\$ 8	\$ 52	\$ 95	\$ 5,889	\$ 5,984	\$ 3
Europe	23	9	36	68	2,487	2,555	9
Asia/Pacific	53	19	54	126	3,343	3,469	18
Mining	—	1	12	13	1,960	1,973	—
Latin America	62	19	153	234	2,481	2,715	—
Caterpillar Power Finance	15	14	126	155	3,017	3,172	4
<b>Dealer</b>							
North America	—	—	—	—	2,931	2,931	—
Europe	—	—	—	—	652	652	—
Asia/Pacific	—	—	—	—	945	945	—
Mining	—	—	—	—	1	1	—
Latin America	—	—	—	—	1,057	1,057	—
Caterpillar Power Finance	—	—	—	—	—	—	—
<b>Caterpillar Purchased Receivables</b>							
North America	17	3	2	22	1,334	1,356	2
Europe	1	—	—	1	331	332	—
Asia/Pacific	—	—	—	—	868	868	—
Mining	—	—	—	—	—	—	—
Latin America	—	—	—	—	547	547	—
Caterpillar Power Finance	—	—	1	1	10	11	1
Total	<u>\$ 206</u>	<u>\$ 73</u>	<u>\$ 436</u>	<u>\$ 715</u>	<u>\$ 27,853</u>	<u>\$ 28,568</u>	<u>\$ 37</u>

(Millions of dollars)

	December 31, 2011							
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing	
<b>Customer</b>								
North America	\$ 75	\$ 39	\$ 111	\$ 225	\$ 5,448	\$ 5,673	\$ 9	
Europe	27	11	57	95	2,129	2,224	10	
Asia/Pacific	48	23	38	109	3,095	3,204	14	
Mining	—	—	12	12	1,473	1,485	—	
Latin America	32	15	107	154	2,328	2,482	—	
Caterpillar Power Finance	14	16	125	155	2,765	2,920	25	
<b>Dealer</b>								
North America	—	—	2	2	2,412	2,414	2	
Europe	—	—	—	—	334	334	—	
Asia/Pacific	—	—	—	—	516	516	—	
Mining	—	—	—	—	—	—	—	
Latin America	—	—	—	—	709	709	—	
Caterpillar Power Finance	—	—	—	—	—	—	—	
<b>Caterpillar Purchased Receivables</b>								
North America	25	4	6	35	1,801	1,836	6	
Europe	3	—	—	3	399	402	—	
Asia/Pacific	—	—	—	—	465	465	—	
Mining	—	—	—	—	—	—	—	
Latin America	—	—	—	—	422	422	—	
Caterpillar Power Finance	—	—	—	—	29	29	—	
Total	<u>\$ 224</u>	<u>\$ 108</u>	<u>\$ 458</u>	<u>\$ 790</u>	<u>\$ 24,325</u>	<u>\$ 25,115</u>	<u>\$ 66</u>	

### Allowance for credit losses

The Allowance for credit losses as of December 31, 2013 was \$387 million or 1.33 percent of net finance receivables compared with \$429 million or 1.50 percent as of December 31, 2012. The overall decrease of \$42 million in Allowance for credit losses during the year reflects a \$49 million decrease associated with the lower allowance rate, partially offset by a \$7 million increase due to an increase in our net finance receivables portfolio. The lower allowance rate reflects write-offs taken in 2013, primarily related to our European marine portfolio that had been previously provided for in the Allowance for credit losses, favorable changes in our estimated probabilities of default (due to improved financial health of our customers), continued refinements of estimated loss emergence periods and general improvement in the economic conditions of the industries we serve.

The Allowance for credit losses as of December 31, 2012 was \$429 million or 1.50 percent of net finance receivables compared with \$371 million or 1.48 percent as of December 31, 2011. The overall increase of \$58 million in Allowance for credit losses during the year reflects a \$51 million increase in allowance due to an increase in our net finance receivables portfolio and a \$7 million increase associated with the higher allowance rate.

An analysis of the Allowance for credit losses during 2013, 2012 and 2011 was as follows:

(Millions of dollars)

	December 31, 2013			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Allowance for Credit Losses:</b>				
Balance at beginning of year	\$ 417	\$ 9	\$ 3	\$ 429
Receivables written off	(180)	—	—	(180)
Recoveries on receivables previously written off	56	—	—	56
Provision for credit losses	90	1	—	91
Adjustment due to sale of receivables	(3)	—	—	(3)
Foreign currency translation adjustment	(6)	—	—	(6)
Balance at end of year	<u>\$ 374</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 387</u>
Individually evaluated for impairment	\$ 73	\$ —	\$ —	\$ 73
Collectively evaluated for impairment	301	10	3	314
Ending Balance	<u>\$ 374</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 387</u>
<b>Recorded Investment in Finance Receivables:</b>				
Individually evaluated for impairment	\$ 639	\$ —	\$ —	\$ 639
Collectively evaluated for impairment	20,081	5,254	3,092	28,427
Ending Balance	<u>\$ 20,720</u>	<u>\$ 5,254</u>	<u>\$ 3,092</u>	<u>\$ 29,066</u>

(Millions of dollars)

	December 31, 2012			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Allowance for Credit Losses:</b>				
Balance at beginning of year	\$ 362	\$ 6	\$ 3	\$ 371
Receivables written off	(150)	—	—	(150)
Recoveries on receivables previously written off	47	—	—	47
Provision for credit losses	159	3	—	162
Adjustment due to sale of receivables	(2)	—	—	(2)
Foreign currency translation adjustment	1	—	—	1
Balance at end of year	<u>\$ 417</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 429</u>
Individually evaluated for impairment	\$ 56	\$ —	\$ —	\$ 56
Collectively evaluated for impairment	361	9	3	373
Ending Balance	<u>\$ 417</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 429</u>
<b>Recorded Investment in Finance Receivables:</b>				
Individually evaluated for impairment	\$ 599	\$ —	\$ —	\$ 599
Collectively evaluated for impairment	19,269	5,586	3,114	27,969
Ending Balance	<u>\$ 19,868</u>	<u>\$ 5,586</u>	<u>\$ 3,114</u>	<u>\$ 28,568</u>

(Millions of dollars)

	December 31, 2011			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Allowance for Credit Losses:</b>				
Balance at beginning of year	\$ 358	\$ 5	\$ 1	\$ 364
Receivables written off	(211)	—	—	(211)
Recoveries on receivables previously written off	52	—	—	52
Provision for credit losses	169	1	2	172
Adjustment due to sale of receivables	(3)	—	—	(3)
Foreign currency translation adjustment	(3)	—	—	(3)
Balance at end of year	<u>\$ 362</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 371</u>
Individually evaluated for impairment	\$ 36	\$ —	\$ —	\$ 36
Collectively evaluated for impairment	326	6	3	335
Ending Balance	<u>\$ 362</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 371</u>
<b>Recorded Investment in Finance Receivables:</b>				
Individually evaluated for impairment	\$ 488	\$ —	\$ —	\$ 488
Collectively evaluated for impairment	17,500	3,973	3,154	24,627
Ending Balance	<u>\$ 17,988</u>	<u>\$ 3,973</u>	<u>\$ 3,154</u>	<u>\$ 25,115</u>

### Credit quality of finance receivables

The credit quality of finance receivables is reviewed on a monthly basis. Credit quality indicators include performing and non-performing. Non-performing is defined as finance receivables currently over 120 days past due and/or on non-accrual status or in bankruptcy. Finance receivables not meeting the criteria listed above are considered performing. Non-performing receivables have the highest probability for credit loss. The Allowance for credit losses attributable to non-performing receivables is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral less selling costs. In addition, consideration is given to credit enhancements such as additional collateral and contractual third-party guarantees in determining the Allowance for credit losses attributable to non-performing receivables.

The recorded investment in performing and non-performing finance receivables was as follows:

	December 31, 2013			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Performing</b>				
North America	\$ 6,554	\$ 3,034	\$ 1,572	\$ 11,160
Europe	2,847	569	427	3,843
Asia/Pacific	3,268	706	468	4,442
Mining	2,120	5	—	2,125
Latin America	2,503	940	616	4,059
Caterpillar Power Finance	2,972	—	9	2,981
Total Performing	<u>\$ 20,264</u>	<u>\$ 5,254</u>	<u>\$ 3,092</u>	<u>\$ 28,610</u>
<b>Non-Performing</b>				
North America	\$ 26	\$ —	\$ —	\$ 26
Europe	28	—	—	28
Asia/Pacific	50	—	—	50
Mining	23	—	—	23
Latin America	210	—	—	210
Caterpillar Power Finance	119	—	—	119
Total Non-Performing	<u>\$ 456</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 456</u>
<b>Total Performing and Non-Performing</b>				
North America	\$ 6,580	\$ 3,034	\$ 1,572	\$ 11,186
Europe	2,875	569	427	3,871
Asia/Pacific	3,318	706	468	4,492
Mining	2,143	5	—	2,148
Latin America	2,713	940	616	4,269
Caterpillar Power Finance	3,091	—	9	3,100
Total	<u>\$ 20,720</u>	<u>\$ 5,254</u>	<u>\$ 3,092</u>	<u>\$ 29,066</u>

(Millions of dollars)

	December 31, 2012			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Performing</b>				
North America	\$ 5,925	\$ 2,931	\$ 1,356	\$ 10,212
Europe	2,517	652	332	3,501
Asia/Pacific	3,433	945	868	5,246
Mining	1,961	1	—	1,962
Latin America	2,552	1,057	547	4,156
Caterpillar Power Finance	2,952	—	11	2,963
Total Performing	<u>\$ 19,340</u>	<u>\$ 5,586</u>	<u>\$ 3,114</u>	<u>\$ 28,040</u>
<b>Non-Performing</b>				
North America	\$ 59	\$ —	\$ —	\$ 59
Europe	38	—	—	38
Asia/Pacific	36	—	—	36
Mining	12	—	—	12
Latin America	163	—	—	163
Caterpillar Power Finance	220	—	—	220
Total Non-Performing	<u>\$ 528</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 528</u>
<b>Total Performing and Non-Performing</b>				
North America	\$ 5,984	\$ 2,931	\$ 1,356	\$ 10,271
Europe	2,555	652	332	3,539
Asia/Pacific	3,469	945	868	5,282
Mining	1,973	1	—	1,974
Latin America	2,715	1,057	547	4,319
Caterpillar Power Finance	3,172	—	11	3,183
Total	<u>\$ 19,868</u>	<u>\$ 5,586</u>	<u>\$ 3,114</u>	<u>\$ 28,568</u>



(Millions of dollars)

	December 31, 2011			
	Customer	Dealer	Caterpillar Purchased Receivables	Total
<b>Performing</b>				
North America	\$ 5,561	\$ 2,414	\$ 1,836	\$ 9,811
Europe	2,166	334	402	2,902
Asia/Pacific	3,180	516	465	4,161
Mining	1,473	—	—	1,473
Latin America	2,366	709	422	3,497
Caterpillar Power Finance	2,762	—	29	2,791
Total Performing	\$ 17,508	\$ 3,973	\$ 3,154	\$ 24,635
<b>Non-Performing</b>				
North America	\$ 112	\$ —	\$ —	\$ 112
Europe	58	—	—	58
Asia/Pacific	24	—	—	24
Mining	12	—	—	12
Latin America	116	—	—	116
Caterpillar Power Finance	158	—	—	158
Total Non-Performing	\$ 480	\$ —	\$ —	\$ 480
<b>Total Performing and Non-Performing</b>				
North America	\$ 5,673	\$ 2,414	\$ 1,836	\$ 9,923
Europe	2,224	334	402	2,960
Asia/Pacific	3,204	516	465	4,185
Mining	1,485	—	—	1,485
Latin America	2,482	709	422	3,613
Caterpillar Power Finance	2,920	—	29	2,949
Total	\$ 17,988	\$ 3,973	\$ 3,154	\$ 25,115

### Troubled debt restructurings

A restructuring of a loan or finance lease receivable constitutes a troubled debt restructuring (TDR) when the lender grants a concession it would not otherwise consider to a borrower experiencing financial difficulties. Concessions granted may include extended contract maturities, inclusion of interest only periods, below market interest rates and extended skip payment periods.

TDRs are reviewed along with other receivables as part of management's ongoing evaluation of the adequacy of the Allowance for credit losses. The Allowance for credit losses attributable to TDRs is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral less selling costs. In addition, consideration is given to credit enhancements such as additional collateral and contractual third-party guarantees in determining the Allowance for credit losses attributable to TDRs.

There were no loans or finance lease receivables modified as TDRs during the years ended December 31, 2013, 2012 and 2011 for the Dealer or Caterpillar Purchased Receivables portfolio segments.

Loans and finance lease receivables in the Customer portfolio segment modified as TDRs during the years ended December 31, 2013, 2012 and 2011, were as follows:

(Dollars in millions)

	Year Ended December 31, 2013		
	Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
<b><u>Customer</u></b>			
North America	62	\$ 9	\$ 9
Europe	51	7	7
Asia/Pacific	3	1	1
Mining	45	123	123
Latin America	32	3	3
Caterpillar Power Finance <sup>(1)</sup>	17	153	157
Total <sup>(2)</sup>	210	\$ 296	\$ 300

		Year Ended December 31, 2012			
		Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment	
<u>Customer</u>					
North America	98	\$	15	\$	15
Europe	21		8		8
Asia/Pacific	12		3		3
Latin America	41		5		5
Caterpillar Power Finance <sup>(1)</sup>	27		253		253
Total <sup>(2)</sup>	199	\$	284	\$	284

Customer	Year Ended December 31, 2011		
	Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
North America	71	\$ 13	\$ 13
Europe	7	44	44
Latin America	12	10	10
Caterpillar Power Finance <sup>(1)</sup>	35	117	117
Total <sup>(2)</sup>	125	\$ 184	\$ 184

<sup>(1)</sup> During the years ended December 31, 2013, 2012 and 2011, \$25 million, \$24 million and \$15 million, respectively, of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The \$25 million, \$24 million and \$15 million of additional funds are not reflected in the tables above as no incremental modifications have been made with the borrower during the periods presented. At December 31, 2013, remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR were \$6 million.

<sup>(2)</sup> Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs in the Customer portfolio segment with a payment default during the years ended December 31, 2013, 2012 and 2011, which had been modified within twelve months prior to the default date, were as follows:

(Dollars in millions)

	Year Ended December 31, 2013		Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of Contracts	Post-TDR Recorded Investment	Number of Contracts	Post-TDR Recorded Investment	Number of Contracts	Post-TDR Recorded Investment
<b>Customer</b>						
North America	19	\$ 4	49	\$ 4	48	\$ 26
Europe	5	—	—	—	1	1
Asia/Pacific	—	—	2	1	—	—
Latin America	—	—	—	—	7	4
Caterpillar Power Finance	2	3	16	21	14	70
Total	26	\$ 7	67	\$ 26	70	\$ 101

### C. Transfers of Receivables

#### Securitized retail installment sale contracts and finance leases

We have periodically transferred certain finance receivables relating to our retail installment sale contracts and finance leases to special purpose entities (SPEs) as part of our asset-backed securitization program. These SPEs were concluded to be VIEs. We determined that we were the primary beneficiary based on our power to direct activities through our role as servicer and our obligation to absorb losses and right to receive benefits and therefore consolidated these securitization SPEs.

On April 25, 2011, we exercised a cleanup call on our only outstanding asset-backed securitization transaction. As a result, we had no assets or liabilities related to our securitization program as of December 31, 2013, 2012 or 2011.

#### Off-balance sheet managed assets

Certain finance receivables and equipment on operating leases are sold to third parties with limited or no recourse to us to mitigate the concentration of credit risk with certain customers and are generally accounted for as sales. In 2013, 2012 and 2011, we received \$243 million, \$206 million and \$207 million, respectively, of cash proceeds and recognized pre-tax gains of \$4 million, \$3 million and \$4 million, respectively, from the sale of such assets. We typically maintain servicing responsibilities for these third-party assets, which totaled \$322 million, \$291 million and \$235 million as of December 31, 2013, 2012 and 2011, respectively. Because we do not receive a servicing fee for these assets, a servicing liability is recorded. As of December 31, 2013, 2012 and 2011, these liabilities were not material. None of the receivables that are directly or indirectly sold or transferred to third parties in any of the foregoing transactions are available to pay our creditors.

Total off-balance sheet managed assets as of December 31, were as follows:

(Millions of dollars)

	2013	2012	2011
Retail notes receivable	\$ 126	\$ 49	\$ 39
Retail finance leases	103	116	133
Operating leases	61	60	15
Retail installment sale contracts	32	66	48
Total off-balance sheet managed assets	\$ 322	\$ 291	\$ 235

#### D. Purchases of Trade Receivables from Caterpillar Entities

We purchase trade receivables from Caterpillar entities at a discount. The discount is an estimate of the amount of financing revenue that would be earned at a market rate on these trade receivables over their expected life. The discount is amortized into revenue on an effective yield basis over the life of the receivables and recognized as Wholesale finance revenue. For the years ended December 31, 2013, 2012 and 2011, amortized discounts for the trade receivables were \$233 million, \$241 million and \$212 million, respectively. In the Consolidated Statements of Cash Flows, collection of the discount is included in investing activities as the receivables are collected.

#### **NOTE 4 – EQUIPMENT ON OPERATING LEASES**

Components of equipment on operating leases, less accumulated depreciation as of December 31, were as follows:

(Millions of dollars)			
	2013	2012	2011
Equipment on operating leases, at cost	\$ 5,127	\$ 4,421	\$ 4,089
Less: Accumulated depreciation	(1,583)	(1,451)	(1,471)
Equipment on operating leases, net	<u>\$ 3,544</u>	<u>\$ 2,970</u>	<u>\$ 2,618</u>

At December 31, 2013, scheduled minimum rental payments for operating leases were as follows:

2014	2015	2016	2017	2018	Thereafter	Total
\$ 880	\$ 601	\$ 361	\$ 180	\$ 89	\$ 33	\$ 2,144

#### **NOTE 5 – CONCENTRATION OF CREDIT RISK**

Financial instruments with potential credit risk consist primarily of finance receivables. Additionally, to a lesser extent, we have potential credit risk associated with counterparties to derivative contracts.

As of December 31, 2013, 2012 and 2011, receivables from customers in construction-related industries made up approximately one-third of our total portfolio. As of December 31, 2013, 2012 and 2011, approximately 40 percent of construction-related receivables related to customers in North America. No single customer or dealer represented a significant concentration of credit risk. We typically maintain a security interest in retail financed equipment and require physical damage insurance coverage on all financed equipment. See Note 15 for further information concerning business segments.

Regarding our derivative instruments, collateral is not generally required of the counterparties or of us. We generally enter into International Swaps and Derivatives Association (ISDA) master netting agreements, which permit the net settlement of amounts owed. Our exposure to credit loss in the event of nonperformance by the counterparties is limited to only those gains that we have recorded, but for which we have not yet received cash payment. The master netting agreements reduce the amount of loss the Company would incur should the counterparties fail to meet their obligations. As of December 31, 2013, 2012 and 2011, the maximum exposure to credit loss, including accrued interest, was \$178 million, \$306 million and \$342 million, respectively, before the application of any master netting agreements. See Note 9 for further information concerning derivatives.

## **NOTE 6 – CREDIT COMMITMENTS**

### **Revolving credit facilities**

We have three global credit facilities with a syndicate of banks totaling \$10.00 billion (Credit Facility) available in the aggregate to both Caterpillar and us for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to us as of December 31, 2013 was \$7.25 billion.

- The 364-day facility of \$3.00 billion (of which \$2.18 billion is available to us) expires in September 2014.
- The 2010 four-year facility, as amended in September 2013, of \$2.60 billion (of which \$1.88 billion is available to us) expires in September 2016.
- The 2011 five-year facility, as amended in September 2013, of \$4.40 billion (of which \$3.19 billion is available to us) expires in September 2018.

At December 31, 2013, Caterpillar's consolidated net worth was \$25.03 billion, which was above the \$9.00 billion required under the Credit Facility. The consolidated net worth is defined in the Credit Facility as the consolidated stockholders' equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income/(loss).

At December 31, 2013, our covenant interest coverage ratio was 1.93 to 1. This is above the 1.15 to 1 minimum ratio, calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2013, our six-month covenant leverage ratio was 8.18 to 1 and our year-end covenant leverage ratio was 8.04 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31, required by the Credit Facility.

In the event that either Caterpillar or we do not meet one or more of our respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the syndicate of banks may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of our other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At December 31, 2013, there were no borrowings under the Credit Facility.

### **Bank borrowings**

Credit lines with banks as of December 31, 2013 totaled \$4.28 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our non-U.S. subsidiaries for local funding requirements. The remaining available credit commitments may be withdrawn any time at the lenders' discretion. As of December 31, 2013, we had \$2.03 billion outstanding against these credit lines compared with \$2.02 billion as of December 31, 2012, and were in compliance with all debt covenants under these credit lines.

### **Variable denomination floating rate demand notes**

We obtain funding from the sale of variable denomination floating rate demand notes, which may be redeemed at any time at the option of the holder without any material restriction. We do not hold reserves to fund the payment of the demand notes. The notes are offered on a continuous basis by prospectus only.

### **Notes receivable from/payable to Caterpillar**

Under our variable amount lending agreements and other notes receivable with Caterpillar, we may borrow up to \$2.33 billion from Caterpillar and Caterpillar may borrow up to \$1.29 billion from us. The agreements are in effect for indefinite periods of time and may be changed or terminated by either party with 30 days notice. We had notes receivable of \$345 million and notes payable of \$1.12 billion outstanding under these agreements as of December 31, 2013, compared with notes receivable of \$360 million and notes payable of \$208 million as of December 31, 2012.

### **Committed credit facility**

In addition, in 2011, we extended a \$2 billion committed credit facility to Caterpillar, which expires in February 2019. We receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility. At December 31, 2013, there were no borrowings under this credit facility.

**NOTE 7 – SHORT-TERM BORROWINGS**

Short-term borrowings outstanding as of December 31, were comprised of the following:

	2013		2012		2011	
	Balance	Avg. Rate	Balance	Avg. Rate	Balance	Avg. Rate
Commercial paper, net	\$ 2,502	0.5%	\$ 3,654	0.6%	\$ 2,818	1.0%
Bank borrowings	545	6.4%	418	5.6%	527	7.3%
Variable denomination floating rate demand notes	616	0.8%	579	0.8%	550	0.9%
Total	<u>\$ 3,663</u>		<u>\$ 4,651</u>		<u>\$ 3,895</u>	

**NOTE 8 – LONG-TERM DEBT**

During 2013, we issued \$6.15 billion of medium-term notes, of which \$3.99 billion were at fixed interest rates and \$2.16 billion were at floating interest rates, primarily indexed to LIBOR. At December 31, 2013, the outstanding medium-term notes had remaining maturities ranging up to 12 years.

Long-term debt outstanding as of December 31, was comprised of the following:

	2013		2012		2011	
	Balance	Avg. Rate	Balance	Avg. Rate	Balance	Avg. Rate
Medium-term notes	\$ 23,854	2.8%	\$ 23,500	3.2%	\$ 20,061	3.9%
Unamortized discount	(8)		(13)		(10)	
Medium-term notes, net	23,846		23,487		20,051	
Bank borrowings	1,483	3.2%	1,602	4.1%	1,583	3.7%
Total	<u>\$ 25,329</u>		<u>\$ 25,089</u>		<u>\$ 21,634</u>	

Long-term debt outstanding as of December 31, 2013, matures as follows:

(Millions of dollars)	
2014	\$ 6,592
2015	6,446
2016	4,796
2017	2,747
2018	2,350
Thereafter	2,398
Total	<u>\$ 25,329</u>

## **NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate and interest rate exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward and option contracts, cross currency contracts and interest rate swaps. Our derivative activities are subject to the management, direction and control of our senior financial officers. Risk management practices, including the use of financial derivative instruments, are presented to the Audit Committee of the Caterpillar Inc. Board of Directors at least annually.

All derivatives are recognized on the Consolidated Statements of Financial Position at their fair value. On the date the derivative contract is entered into, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or the cash flow variability associated with variable-rate debt (cash flow hedge) or (3) an undesignated instrument. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in Accumulated other comprehensive income (loss) (AOCI), to the extent effective, on the Consolidated Statements of Financial Position until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings. Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged on the Consolidated Statements of Cash Flows. Cash flows from undesignated derivative financial instruments are included in the investing category on the Consolidated Statements of Cash Flows.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the Consolidated Statements of Financial Position and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flow of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, we discontinue hedge accounting prospectively, in accordance with derecognition criteria for hedge accounting.

### **Foreign currency exchange rate risk**

We have net foreign currency balance sheet positions and expected future transactions denominated in foreign currencies, thereby creating exposure to movements in foreign exchange rates. In managing foreign currency risk, our objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions and expected future transactions denominated in foreign currencies. Our policy allows the use of foreign currency forward, option and cross currency contracts to offset the risk of currency mismatch between our receivables and debt and exchange rate risk associated with expected future transactions denominated in foreign currencies. Substantially all such foreign currency forward, option and cross currency contracts are undesignated.

### **Interest rate risk**

Interest rate movements create a degree of risk by affecting the amount of our interest payments and the value of our fixed-rate debt. Our practice is to use interest rate swaps to manage our exposure to interest rate changes and, in some cases, to lower the cost of borrowed funds.

We have a match-funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of our debt portfolio with the interest rate profile of our receivables portfolio within predetermined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This matched funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

Our policy allows us to use fixed-to-floating, floating-to-fixed and floating-to-floating interest rate swaps to meet the match-funding objective. We designate fixed-to-floating interest rate swaps as fair value hedges to protect debt against changes in fair value due to changes in the benchmark interest rate. We designate most floating-to-fixed interest rate swaps as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

As of December 31, 2013, \$3 million of deferred net losses, net of tax, included in equity (AOCI in the Consolidated Statements of Financial Position), related to our floating-to-fixed interest rate swaps, are expected to be reclassified to Interest expense over the next twelve months. The actual amount recorded in Interest expense will vary based on interest rates at the time the hedged transactions impact earnings.

We have, at certain times, liquidated fixed-to-floating interest rate swaps that resulted in deferred gains at the time of liquidation. The deferred gains associated with these interest rate swaps are included in Long-term debt in the Consolidated Statements of Financial Position and are being amortized to Interest expense over the remaining term of the previously designated hedged item.

The location and fair value of derivative instruments reported in the Consolidated Statements of Financial Position were as follows:

(Millions of dollars)		Asset (Liability) Fair Value		
		December 31,		
	Consolidated Statements of Financial Position Location	2013	2012	2011
<b>Designated derivatives</b>				
Interest rate contracts	Other assets	\$ 122	\$ 226	\$ 248
Interest rate contracts	Accrued expenses	(6)	(8)	(6)
		<u>\$ 116</u>	<u>\$ 218</u>	<u>\$ 242</u>
<b>Undesignated derivatives</b>				
Foreign exchange contracts	Other assets	\$ 7	\$ 10	\$ 7
Foreign exchange contracts	Accrued expenses	(4)	(5)	(16)
Cross currency contracts	Other assets	9	—	—
Cross currency contracts	Accrued expenses	—	(1)	—
Interest rate contracts	Other assets	—	2	—
Interest rate contracts	Accrued expenses	—	(1)	(1)
		<u>\$ 12</u>	<u>\$ 5</u>	<u>\$ (10)</u>

For the years ended December 31, 2013, 2012 and 2011, the deferred gains (losses) recorded in AOCI on the Consolidated Statements of Changes in Stockholder's Equity associated with our cash flow interest rate contract hedges were as follows:

(Millions of dollars)	
Balance as of December 31, 2012, net of tax of \$4	\$ (8)
Gains (losses) deferred during the year, net of tax of \$1	(1)
(Gains) losses reclassified to earnings, net of tax of \$2	4
Balance as of December 31, 2013, net of tax of \$3	<u>\$ (5)</u>
(Millions of dollars)	
Balance as of December 31, 2011, net of tax of \$3	\$ (6)
Gains (losses) deferred during the year, net of tax of \$0	1
(Gains) losses reclassified to earnings, net of tax of \$(1)	(3)
Balance as of December 31, 2012, net of tax of \$4	<u>\$ (8)</u>



<b>(Millions of dollars)</b>	
<b>Balance as of December 31, 2010, net of tax of \$6</b>	<b>\$ (14)</b>
Gains (losses) deferred during the year, net of tax of \$0	(1)
(Gains) losses reclassified to earnings, net of tax of \$3	9
<b>Balance as of December 31, 2011, net of tax of \$3</b>	<b>\$ (6)</b>

The effect of derivatives designated as hedging instruments on the Consolidated Statements of Profit was as follows:

#### **Fair Value Hedges**

**(Millions of dollars)**

		<b>Year Ended December 31, 2013</b>	
	<b>Classification</b>	<b>Gains (Losses) on Derivatives</b>	<b>Gains (Losses) on Borrowings</b>
Interest rate contracts	Other income (expense)	\$ (107)	\$ 109

  

		<b>Year Ended December 31, 2012</b>	
	<b>Classification</b>	<b>Gains (Losses) on Derivatives</b>	<b>Gains (Losses) on Borrowings</b>
Interest rate contracts	Other income (expense)	\$ (20)	\$ 27

  

		<b>Year Ended December 31, 2011</b>	
	<b>Classification</b>	<b>Gains (Losses) on Derivatives</b>	<b>Gains (Losses) on Borrowings</b>
Interest rate contracts	Other income (expense)	\$ 39	\$ (47)

#### **Cash Flow Hedges**

**(Millions of dollars)**

		<b>Year Ended December 31, 2013</b>	
	<b>Classification</b>	<b>Reclassified from AOCI to Earnings (Effective Portion)</b>	<b>Recognized in Earnings (Ineffective Portion)</b>
Interest rate contracts	Interest expense	\$ (6)	\$ —
Interest rate contracts	Other income (expense)	—	1
		<u>\$ (6)</u>	<u>\$ 1</u>

  

		<b>Year Ended December 31, 2012</b>	
	<b>Classification</b>	<b>Reclassified from AOCI to Earnings (Effective Portion)</b>	<b>Recognized in Earnings (Ineffective Portion)</b>
Interest rate contracts	Interest expense	\$ 4	\$ —
Interest rate contracts	Other income (expense)	—	(1)
		<u>\$ 4</u>	<u>\$ (1)</u>

  

		<b>Year Ended December 31, 2011</b>	
	<b>Classification</b>	<b>Reclassified from AOCI to Earnings (Effective Portion)</b>	<b>Recognized in Earnings (Ineffective Portion)</b>
Interest rate contracts	Interest expense	\$ (12)	\$ —
Interest rate contracts	Other income (expense)	—	(2)
		<u>\$ (12)</u>	<u>\$ (2)</u>

The effect of derivatives not designated as hedging instruments on the Consolidated Statements of Profit was as follows for the years ended December 31:

<b>Undesignated Derivatives</b>				
<b>(Millions of dollars)</b>				
	<b>Classification</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Foreign exchange contracts	Other income (expense)	\$ 3	\$ 7	\$ (15)
Cross currency contracts	Other income (expense)	5	(1)	—
Interest rate contracts	Other income (expense)	(3)	—	—
		<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ (15)</u>

### **Balance sheet offsetting**

We enter into International Swaps and Derivatives Association (ISDA) master netting agreements that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits us or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event.

Collateral is generally not required of the counterparties or us under the master netting agreements. As of December 31, 2013, 2012 and 2011, no cash collateral was received or pledged under the master netting agreements.

The effect of the net settlement provisions of the master netting agreements on our derivative balances upon an event of default or a termination event as of December 31, was as follows:

<b>Offsetting of Derivative Assets and Liabilities</b>				
<b>(Millions of dollars)</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	
<b><u>Derivative Assets</u></b>				
Gross Amount of Recognized Assets	\$ 138	\$ 238	\$ 255	
Gross Amounts Offset	—	—	—	
Net Amount of Assets <sup>(1)</sup>	<u>138</u>	<u>238</u>	<u>255</u>	
<b><u>Gross Amounts Not Offset</u></b>				
Financial Instruments	(9)	(12)	(11)	
Cash Collateral Received	—	—	—	
Net Amount	<u>\$ 129</u>	<u>\$ 226</u>	<u>\$ 244</u>	
<b><u>Derivative Liabilities</u></b>				
Gross Amount of Recognized Liabilities	\$ (10)	\$ (15)	\$ (23)	
Gross Amounts Offset	—	—	—	
Net Amount of Liabilities <sup>(1)</sup>	<u>(10)</u>	<u>(15)</u>	<u>(23)</u>	
<b><u>Gross Amounts Not Offset</u></b>				
Financial Instruments	9	12	11	
Cash Collateral Received	—	—	—	
Net Amount	<u>\$ (1)</u>	<u>\$ (3)</u>	<u>\$ (12)</u>	

<sup>(1)</sup> As presented in the Consolidated Statements of Financial Position.

## **NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES**

We provide loan guarantees to third-party lenders for financing associated with machinery purchased by customers. These guarantees have varying terms and are secured by the machinery being financed. In addition, we participate in standby letters of credit issued to third parties on behalf of our customers. These standby letters of credit have varying terms and beneficiaries and are secured by customer assets.

We provided a limited indemnity to a third-party bank resulting from the assignment of certain leases to that bank. The indemnity was for the possibility that the insurers of these leases would become insolvent. The indemnity expired December 15, 2012.

No loss has been experienced or is anticipated under any of these guarantees. At December 31, 2013, 2012 and 2011, the related liability was \$1 million, \$2 million and \$2 million, respectively. The maximum potential amount of future payments (undiscounted and without reduction for any amounts that may possibly be recovered under recourse or collateralized provisions) we could be required to make under the guarantees was as follows:

<b>(Millions of dollars)</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Guarantees with customers	\$ 55	\$ 61	\$ 69
Limited indemnity	—	—	11
Total guarantees	<u>\$ 55</u>	<u>\$ 61</u>	<u>\$ 80</u>

We provide guarantees to repurchase certain loans of Caterpillar dealers from a special purpose corporation (SPC) that qualifies as a VIE (see Note 1 for additional information regarding the accounting guidance on the consolidation of VIEs). The purpose of the SPC is to provide short-term working capital loans to Caterpillar dealers. This SPC issues commercial paper and uses the proceeds to fund its loan program. We have a loan purchase agreement with the SPC that obligates us to purchase certain loans that are not paid at maturity. We receive a fee for providing this guarantee, which provides a source of liquidity for the SPC. We are the primary beneficiary of the SPC as our guarantees result in us having both the power to direct the activities that most significantly impact the SPC's economic performance and the obligation to absorb losses and therefore we have consolidated the financial statements of the SPC. As of December 31, 2013, 2012 and 2011, the SPC's assets of \$1.01 billion, \$927 million and \$586 million, respectively, are primarily comprised of loans to dealers, which are included in Retail notes receivable in the Consolidated Statements of Financial Position, and the SPC's liabilities of \$1.01 billion, \$927 million and \$586 million, respectively, are primarily comprised of commercial paper, which is included in Short-term borrowings in the Consolidated Statements of Financial Position. The assets of the SPC are not available to pay our creditors. We may be obligated to perform under the guarantee if the SPC experiences losses. No loss has been experienced or is anticipated under this loan purchase agreement.

We are party to agreements in the normal course of business with selected customers and Caterpillar dealers in which we commit to provide a set dollar amount of financing on a pre-approved basis. We also provide lines of credit to certain customers and Caterpillar dealers, of which a portion remains unused as of the end of the period. Commitments and lines of credit generally have fixed expiration dates or other termination clauses. It has been our experience that not all commitments and lines of credit will be used. Management applies the same credit policies when making commitments and granting lines of credit as it does for any other financing. We do not require collateral for these commitments/lines, but if credit is extended, collateral may be required upon funding. As of December 31, 2013, 2012 and 2011, the amount of the unused commitments and lines of credit for dealers was \$10.63 billion, \$10.97 billion and \$6.60 billion, respectively. As of December 31, 2013, 2012 and 2011, the amount of the unused commitments and lines of credit for customers was \$4.64 billion, \$4.69 billion and \$2.79 billion, respectively.

We are involved in unresolved legal actions that arise in the normal course of business. Although it is not possible to predict with certainty the outcome of our unresolved legal actions, we believe that these unresolved legal actions will neither individually nor in the aggregate have a material adverse effect on our consolidated financial position, liquidity or results of operations.

## NOTE 11 – INCOME TAXES

The components of Profit before income taxes for the years ended December 31, were as follows:

(Millions of dollars)			
	2013	2012	2011
U.S.	\$ 91	\$ 31	\$ 46
Non-U.S.	603	553	452
Total	<u>\$ 694</u>	<u>\$ 584</u>	<u>\$ 498</u>

Profit (loss) before income taxes, as shown above, is based on the location of the entity to which such earnings are attributable. Where an entity's earnings are subject to taxation, however, may not correlate solely to where an entity is located. Thus, the income tax provision shown below as U.S. or non-U.S. may not correspond to the earnings shown above.

The components of the Provision for income taxes were as follows for the years ended December 31:

(Millions of dollars)			
	2013	2012	2011
<b>Current income tax provision (benefit):</b>			
U.S.	\$ (14)	\$ 14	\$ (14)
Non-U.S.	183	179	164
State (U.S.)	—	(2)	2
	<u>169</u>	<u>191</u>	<u>152</u>
<b>Deferred income tax provision (benefit):</b>			
U.S.	17	(16)	(6)
Non-U.S.	(18)	(27)	(33)
State (U.S.)	(1)	(3)	(4)
	<u>(2)</u>	<u>(46)</u>	<u>(43)</u>
Total Provision for income taxes	<u>\$ 167</u>	<u>\$ 145</u>	<u>\$ 109</u>

Current income tax provision is the amount of income taxes reported or expected to be reported on our income tax returns. Generally, under our tax sharing agreement with Caterpillar, we have paid to or received from (or will pay to or will receive from) Caterpillar, our allocated share of certain income tax liabilities or benefits based on our relative share of taxable income or loss.

The actual Provision for income taxes differs from the Provision for income taxes that would result from applying the U.S. statutory rate to Profit before income taxes for the years ended December 31, for the reasons set forth in the following reconciliation:

(Millions of dollars)							
	2013		2012		2011		
Taxes computed at U.S. statutory rates	\$ 243	35.0 %	\$ 204	35.0 %	\$ 174	35.0 %	
(Decreases) increases in taxes resulting from:							
State Income Tax, net of Federal Tax	(1)	(0.1)%	(3)	(0.5)%	(1)	(0.2)%	
Prior Year Non-U.S. tax and interest adjustment – Other	—	— %	—	— %	(15)	(3.0)%	
Subsidiaries' results subject to tax rates other than U.S. statutory rates	(68)	(9.8)%	(50)	(8.6)%	(46)	(9.2)%	
Other, net	(7)	(1.0)%	(6)	(1.0)%	(3)	(0.6)%	
Provision for income taxes	<u>\$ 167</u>	<u>24.1 %</u>	<u>\$ 145</u>	<u>24.9 %</u>	<u>\$ 109</u>	<u>22.0 %</u>	

The prior year Non-U.S. tax and interest adjustment recorded in 2011 of \$15 million relates to a cumulative correction of immaterial errors in deferred tax amounts reported in prior periods in various non-U.S. tax jurisdictions.

We have recorded income tax expense at U.S. tax rates on all profits, except for undistributed profits of non-U.S. subsidiaries, which are considered indefinitely reinvested. Determination of the amount of unrecognized deferred income tax liability related to indefinitely reinvested profits is not feasible.

Accounting for income taxes under generally accepted accounting principles in the United States of America requires individual tax-paying entities of the Company to offset deferred income tax assets and liabilities within each particular tax jurisdiction and present them as a single amount in the Consolidated Statements of Financial Position. Amounts in different tax jurisdictions cannot be offset against each other. The amounts of deferred income taxes at December 31, included in the following lines in our Consolidated Statements of Financial Position were:

(Millions of dollars)				
	2013	2012	2011	
<b>Assets:</b>				
Deferred and refundable income taxes	\$ 103	\$ 104	\$ 84	
<b>Liabilities:</b>				
Deferred income taxes and other liabilities	(500)	(535)	(583)	
Deferred income taxes, net	<u>\$ (397)</u>	<u>\$ (431)</u>	<u>\$ (499)</u>	

Differences between accounting rules and income tax laws cause differences between the bases of certain assets and liabilities for financial reporting and income tax purposes. The income tax effects of these differences, to the extent they are temporary, are recorded as deferred income tax assets and liabilities netted by tax jurisdiction and taxpayer.

Our consolidated deferred income taxes consisted of the following components as of December 31:

(Millions of dollars)				
	2013	2012	2011	
Deferred tax assets:				
Allowance for credit losses	\$ 144	\$ 159	\$ 116	
Tax credit carryforwards	—	—	13	
Net operating loss carryforwards	56	59	69	
	<u>200</u>	<u>218</u>	<u>198</u>	
Deferred income tax liabilities (primarily lease basis differences)	(455)	(467)	(495)	
Valuation allowance for deferred income tax assets	(9)	(9)	(9)	
Deferred income tax on translation adjustment	(133)	(173)	(193)	
Deferred income taxes, net	<u>\$ (397)</u>	<u>\$ (431)</u>	<u>\$ (499)</u>	

As of December 31, 2013, amounts and expiration dates of net operating loss (NOL) carryforwards in various U.S. state taxing jurisdictions were:

(Millions of dollars)						
2014	2015	2016	2017	2018-2029	Total	
\$ —	\$ —	\$ —	\$ 6	\$ 212	\$ 218	

The gross deferred income tax asset associated with these NOL carryforwards is \$17 million as of December 31, 2013, partially offset by a valuation allowance of \$6 million. The valuation allowance indicates the loss carryforwards are likely to expire prior to utilization.

In some U.S. state income tax jurisdictions, we join with other Caterpillar entities in filing combined income tax returns. In other U.S. state income tax jurisdictions, we file on a separate, stand-alone basis.

As of December 31, 2013, amounts and expiration dates of NOL carryforwards in various non-U.S. taxing jurisdictions were:

(Millions of dollars)						
2014	2015	2016	2017	2018-2029	Unlimited	Total
\$ 2	\$ 3	\$ 1	\$ 1	\$ 32	\$ 137	\$ 176

Valuation allowances totaling \$3 million have been recorded at certain non-U.S. subsidiaries that have not yet demonstrated consistent and/or sustainable profitability to support the recognition of net deferred income tax assets.

A reconciliation of the beginning and ending amounts of gross unrecognized income tax benefits for uncertain income tax positions, including positions impacting only the timing of income tax benefits was as follows:

(Millions of dollars)			
	2013	2012	2011
<b>Reconciliation of unrecognized income tax benefits<sup>(1)</sup>:</b>			
Balance at beginning of year	\$ 2	\$ —	\$ 7
Additions for income tax positions related to prior year	—	2	—
Reductions for income tax positions related to prior year	—	—	(7)
Reductions for income tax positions related to settlements <sup>(2)</sup>	(2)	—	—
Balance at end of year	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>
Amount that, if recognized, would impact the effective tax rate	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>

<sup>(1)</sup> Foreign currency translation amounts are included within each line as applicable.

<sup>(2)</sup> Includes cash payment or other reduction of assets to settle liability.

We classify interest and penalties on income taxes as a component of the Provision for income taxes. During the years ended December 31, 2013, 2012 and 2011, we recognized a benefit of less than \$1 million, a benefit of \$5 million and a benefit of less than \$1 million in interest and penalties, respectively. As of December 31, 2013, 2012 and 2011, the total amount of accrued interest and penalties was less than \$1 million, less than \$1 million and \$5 million, respectively.

It is reasonably possible that the amount of unrecognized income tax benefits will change in the next 12 months. The U.S. Internal Revenue Service (IRS) is currently examining U.S. tax returns for 2007 to 2009. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position, liquidity or results of operations.

In our major non-U.S. jurisdictions, tax years are typically subject to examination for three to six years.

## **NOTE 12 – FAIR VALUE MEASUREMENTS**

### **A. Fair Value Measurements**

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- **Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, we use quoted market prices to determine fair value and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty or us) will not be fulfilled. For financial assets traded in an active market (Level 1), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (Level 2 and 3), our fair value calculations have been adjusted accordingly.

#### **Derivative financial instruments**

The fair value of interest rate swap derivatives is primarily based on standard industry accepted models that utilize the appropriate market-based forward swap curves and zero-coupon interest rates to determine discounted cash flows. The fair value of foreign currency forward and cross currency contracts is based on a standard industry accepted valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

#### **Guarantees**

The fair value of guarantees is based on our estimate of the premium a market participant would require to issue the same guarantee in a stand-alone, arms-length transaction with an unrelated party. If quoted or observable market prices are not available, fair value is based upon internally developed models that utilize current market-based assumptions.

Assets and liabilities measured on a recurring basis at fair value included in our Consolidated Statements of Financial Position are summarized below:

(Millions of dollars)				
December 31, 2013				
	Level 1	Level 2	Level 3	Total Assets/Liabilities, at Fair Value
<b>Assets</b>				
Derivative financial instruments, net	\$ —	\$ 128	\$ —	\$ 128
<b>Total Assets</b>	<u>\$ —</u>	<u>\$ 128</u>	<u>\$ —</u>	<u>\$ 128</u>
<b>Liabilities</b>				
Guarantees	\$ —	\$ —	\$ 1	\$ 1
<b>Total Liabilities</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 1</u>
December 31, 2012				
	Level 1	Level 2	Level 3	Total Assets/Liabilities, at Fair Value
<b>Assets</b>				
Derivative financial instruments, net	\$ —	\$ 223	\$ —	\$ 223
<b>Total Assets</b>	<u>\$ —</u>	<u>\$ 223</u>	<u>\$ —</u>	<u>\$ 223</u>
<b>Liabilities</b>				
Guarantees	\$ —	\$ —	\$ 2	\$ 2
<b>Total Liabilities</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>
December 31, 2011				
	Level 1	Level 2	Level 3	Total Assets/Liabilities, at Fair Value
<b>Assets</b>				
Derivative financial instruments, net	\$ —	\$ 232	\$ —	\$ 232
<b>Total Assets</b>	<u>\$ —</u>	<u>\$ 232</u>	<u>\$ —</u>	<u>\$ 232</u>
<b>Liabilities</b>				
Guarantees	\$ —	\$ —	\$ 2	\$ 2
<b>Total Liabilities</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>

Below are roll-forwards of assets and liabilities measured at fair value using Level 3 inputs for the years ended December 31, 2013, 2012 and 2011. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions of a marketplace participant.

(Millions of dollars)		Guarantees
<b>Balance as of December 31, 2010</b>		<u>\$ 3</u>
Issuance of guarantees		4
Expiration of guarantees		(5)
<b>Balance as of December 31, 2011</b>		<u>\$ 2</u>
Issuance of guarantees		2
Expiration of guarantees		(2)
<b>Balance as of December 31, 2012</b>		<u>\$ 2</u>
Issuance of guarantees		2
Expiration of guarantees		(3)
<b>Balance as of December 31, 2013</b>		<u>\$ 1</u>



## Impaired loans

In addition to the amounts above, our impaired loans are subject to measurement at fair value on a nonrecurring basis. A loan is considered impaired when management determines that collection of contractual amounts due is not probable. In these cases, an Allowance for credit losses may be established based primarily on the fair value of associated collateral. As the collateral's fair value is based on observable market prices and/or current appraised values, the impaired loans are classified as Level 2 measurements. We had impaired loans carried at the fair value of the underlying collateral value of \$88 million, \$122 million and \$99 million as of December 31, 2013, 2012 and 2011, respectively.

## B. Fair Values of Financial Instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair Value Measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments.

**Cash and cash equivalents** – carrying amount approximated fair value.

**Finance receivables, net** – fair value was estimated by discounting the future cash flows using current rates representative of receivables with similar remaining maturities.

**Restricted cash and cash equivalents** – carrying amount approximated fair value.

**Short-term borrowings** – carrying amount approximated fair value.

**Long-term debt** – fair value for fixed and floating-rate debt was estimated based on quoted market prices.

Please refer to the table below for the fair values of our financial instruments.

(Millions of dollars)	2013		2012		2011		Fair Value Levels	Reference
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value		
Cash and cash equivalents	\$ 1,320	\$ 1,320	\$ 2,080	\$ 2,080	\$ 1,176	\$ 1,176	1	
Foreign currency contracts:								
In a receivable position	\$ 7	\$ 7	\$ 10	\$ 10	\$ 7	\$ 7	2	Note 9
In a payable position	\$ (4)	\$ (4)	\$ (5)	\$ (5)	\$ (16)	\$ (16)	2	Note 9
Cross currency contracts								
In a receivable position	\$ 9	\$ 9	\$ —	\$ —	\$ —	\$ —	2	Note 9
In a payable position	\$ —	\$ —	\$ (1)	\$ (1)	\$ —	\$ —	2	Note 9
Finance receivables, net (excluding finance leases <sup>(1)</sup> )	\$ 20,657	\$ 20,459	\$ 20,065	\$ 19,956	\$ 17,390	\$ 17,132	2	Note 3
Restricted cash and cash equivalents <sup>(2)</sup>	\$ 17	\$ 17	\$ 19	\$ 19	\$ 64	\$ 64	1	
Short-term borrowings	\$ (3,663)	\$ (3,663)	\$ (4,651)	\$ (4,651)	\$ (3,895)	\$ (3,895)	1	Note 7
Long-term debt	\$ (25,329)	\$ (25,849)	\$ (25,089)	\$ (26,063)	\$ (21,634)	\$ (22,674)	2	Note 8
Interest rate swaps:								
In a net receivable position	\$ 122	\$ 122	\$ 228	\$ 228	\$ 248	\$ 248	2	Note 9
In a net payable position	\$ (6)	\$ (6)	\$ (9)	\$ (9)	\$ (7)	\$ (7)	2	Note 9
Guarantees	\$ (1)	\$ (1)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	3	Note 10

<sup>(1)</sup> As of December 31, 2013, 2012 and 2011, represents finance leases with a net carrying value of \$8.02 billion, \$8.07 billion and \$7.35 billion, respectively.

<sup>(2)</sup> Included in Other assets in the Consolidated Statements of Financial Position.

### **NOTE 13 – TRANSACTIONS WITH RELATED PARTIES**

We have a Support Agreement with Caterpillar, which provides that Caterpillar will (1) remain, directly or indirectly, our sole owner; (2) cause us to maintain a tangible net worth of at least \$20 million and (3) ensure that we maintain a ratio of profit before income taxes and interest expense to interest expense (as defined by the Support Agreement) of not less than 1.15 to 1, calculated on an annual basis. In 2013, 2012 and 2011, Caterpillar did not make any significant capital contributions. Although this agreement can be modified by agreement or terminated by either party, any termination or any modification which would adversely affect holders of our debt requires the consent of holders of 66-2/3 percent in principal amount of outstanding debt of each series so affected. Any modification or termination which would adversely affect the lenders under the Credit Facility requires their consent. Caterpillar's obligation under this agreement is not directly enforceable by any of our creditors and does not constitute a guarantee of any of our obligations. A cash dividend totaling \$200 million was paid to Caterpillar in 2013, \$100 million was paid in the second quarter of 2013 and \$100 million was paid in the fourth quarter of 2013. A cash dividend of \$250 million was paid to Caterpillar in the first quarter of 2012. A cash dividend totaling \$600 million was paid to Caterpillar in 2011, \$300 million was paid in the first quarter of 2011 and \$300 million was paid in the third quarter of 2011.

We have variable amount lending agreements and other notes receivable with Caterpillar. Under these agreements, we may borrow up to \$2.33 billion from Caterpillar, and Caterpillar may borrow up to \$1.29 billion from us. The agreements are in effect for indefinite periods of time and may be changed or terminated by either party with 30 days notice. In 2011, we extended a \$2 billion committed credit facility to Caterpillar, which expires in February 2019. Under this agreement, we receive a fee from Caterpillar based on amounts drawn under the credit facility and a commitment fee for the undrawn amounts under the credit facility. Information concerning these agreements was as follows:

<b>(Millions of dollars)</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Notes payable as of December 31,	\$ 1,118	\$ 208	\$ —
Notes receivable as of December 31,	\$ 345	\$ 360	\$ 327
Interest expense	\$ 7	\$ 4	\$ 1
Interest income on Notes Receivable with Caterpillar <sup>(1)</sup>	\$ 19	\$ 21	\$ 16
Fees on committed credit facility extended to Caterpillar <sup>(1)</sup>	\$ 41	\$ 41	\$ 40

<sup>(1)</sup>Included in Other revenues, net in the Consolidated Statements of Profit.

We have agreements with Caterpillar to purchase certain trade receivables at a discount. Information pertaining to these purchases was as follows:

<b>(Millions of dollars)</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Purchases made	\$ 33,018	\$ 36,665	\$ 32,068
Discounts earned	\$ 233	\$ 241	\$ 212
Balance as of December 31,	\$ 3,092	\$ 3,114	\$ 3,154

We participate in certain marketing programs sponsored by Caterpillar by providing financing to customers at interest rates that are below market rates. Under these programs, Caterpillar funds an amount at the outset of the transaction, which we then recognize as revenue over the term of the financing. During 2013, 2012 and 2011, relative to such programs, we received \$189 million, \$160 million and \$131 million, respectively.

We participate in various benefit plans, which are administered by Caterpillar. These plans include employee medical plans and postretirement benefit plans. We reimburse Caterpillar for these charges. During 2013, 2012 and 2011, these charges amounted to \$27 million, \$26 million and \$23 million, respectively. Included in these charges are contributions to defined benefit plans in the amount of \$7 million for each of 2013, 2012 and 2011. These contributions are related to our participation in the following defined benefit plans that are administered by Caterpillar: the Caterpillar Inc. Retirement Income Plan, the Caterpillar Inc. Supplemental Retirement Plan and the Caterpillar Inc. Retiree Benefit Program. The total cost of the defined benefit plans is determined by actuarial valuation and we receive an allocation of the service and prior service cost based on headcount. Further information about these plans is available in Caterpillar's 2013 Annual Report on Form 10-K filed separately with the Securities and Exchange Commission.

We participate in the Caterpillar stock incentive plans. In 2013, 2012 and 2011, Caterpillar allocated to us \$11 million, \$10 million and \$8 million, respectively, in expenses related to stock based compensation.

Caterpillar provides operational and administrative support, which is integral to the conduct of our business. In 2013, 2012 and 2011, these operational and support charges for which we reimburse Caterpillar amounted to \$33 million, \$32 million and \$27 million, respectively. In addition, we provide administrative support services to certain Caterpillar subsidiaries. Caterpillar reimburses us for these charges. During 2013, 2012 and 2011, these charges amounted to \$12 million, \$10 million and \$9 million, respectively.

When appropriate, we combine certain income tax filings with those of Caterpillar. In such instances, in accordance with our tax sharing agreement with Caterpillar, we generally pay to or receive from Caterpillar our allocated share of income taxes or credits based on our relative share of taxable income or loss.

#### **NOTE 14 – LEASES**

We lease our offices and other property through operating leases. Rental expense is charged to operations as incurred. For 2013, 2012 and 2011, total rental expense for operating leases was \$17 million, \$16 million and \$15 million, respectively. At December 31, 2013, minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year were as follows:

<b>(Millions of dollars)</b>	
2014	\$ 15
2015	14
2016	12
2017	12
2018	11
Thereafter	29
<b>Total</b>	<b>\$ 93</b>

## **NOTE 15 – SEGMENT INFORMATION**

### **A. Description of Segments**

Our segment data is based on disclosure requirements of accounting guidance on segment reporting, which requires that financial information be reported on the basis that is used internally for measuring segment performance. Internally, we report information for operating segments based on management responsibility. Our operating segments offer primarily the same types of services within each of the respective segments. The operating segments are as follows:

- **North America** - Includes our operations in the United States and Canada that serve local dealers and customers.
- **Europe and Caterpillar Power Finance** - This segment includes our operations that serve dealers and customers in Europe, Africa, Middle East and the Commonwealth of Independent States. This segment also includes Caterpillar Power Finance (CPF), which finances marine vessels with Caterpillar engines worldwide and also provides debt financing for Caterpillar electrical power generation, gas compression and co-generation systems, as well as non-Caterpillar equipment that is powered by these systems worldwide.
- **Asia/Pacific** - This segment includes our operations in Australia, China, Japan, South Korea and Southeast Asia that serve local dealers and customers.
- **Latin America** - Includes our operations in Brazil, Mexico and Chile that serve local dealers and customers in Central and South America.
- **Mining** - This segment includes large mining customers worldwide. This segment also provides project financing in various countries.

### **B. Measurement and Reconciliations**

Cash, debt and other expenses are allocated to operating segments based on their respective portfolios. The related Interest expense is calculated based on the amount of allocated debt and the rates associated with that debt. The performance of each segment is assessed based on a consistent leverage ratio. The Provision for credit losses included in each operating segment's profit is based on each operating segment's share of the Company's Allowance for credit losses.

Reconciling items are created based on accounting differences between operating segment reporting and our consolidated external reporting. For the reconciliation of profit before income taxes, we have grouped the reconciling items as follows:

- **Unallocated** - This item is related to corporate requirements and strategies that are considered to be for the benefit of the entire organization. Also included are the consolidated results of the special purpose corporation (see Note 10 for additional information) and other miscellaneous items.
- **Timing** - Timing differences in the recognition of costs between operating segment reporting and consolidated external reporting.
- **Methodology** - Methodology differences between our operating segment reporting and our consolidated external reporting are as follows:
  - Segment assets include off-balance sheet managed assets for which we typically maintain servicing responsibilities.
  - The impact of the difference between the actual leverage and the segment leverage ratios is included as a methodology difference.
  - Interest expense includes realized forward points on foreign currency forward contracts, with the mark-to-market elements of the forward exchange contracts included as a methodology difference.
  - The profit attributable to noncontrolling interests is considered a component of segment profit.

As noted above, the operating segment information is presented on a management-reporting basis. Unlike financial reporting, there is no authoritative guidance for management reporting equivalent to U.S. GAAP.

Supplemental segment data and reconciliations to consolidated external reporting for the years ended December 31 was as follows:

<b>(Millions of dollars)</b>							
<b>2013</b>	<b>Revenues</b>	<b>Segment Profit</b>	<b>Interest Expense</b>	<b>Depreciation on equipment leased to others</b>	<b>Provision for credit losses</b>	<b>Segment Assets at December 31, 2013</b>	<b>Capital expenditures</b>
North America	\$ 946	\$ 283	\$ 259	\$ 293	\$ —	\$ 12,160	\$ 782
Europe and CPF	505	146	110	86	47	8,068	242
Asia/Pacific	399	156	135	25	9	5,251	54
Latin America	414	89	137	93	35	4,947	272
Mining	474	85	79	272	12	3,441	469
Total Segments	2,738	759	720	769	103	33,867	1,819
Unallocated	73	(73)	53	1	2	1,595	1
Timing	(26)	(10)	—	—	(4)	68	2
Methodology	—	18	(39)	—	—	(189)	—
Inter-segment Eliminations	—	—	—	—	—	(227)	—
Total	\$ 2,785	\$ 694	\$ 734	\$ 770	\$ 101	\$ 35,114	\$ 1,822

  

<b>2012</b>	<b>Revenues</b>	<b>Segment Profit</b>	<b>Interest Expense</b>	<b>Depreciation on equipment leased to others</b>	<b>Provision for credit losses</b>	<b>Segment Assets at December 31, 2012</b>	<b>Capital expenditures</b>
North America	\$ 938	\$ 264	\$ 270	\$ 274	\$ 15	\$ 11,309	\$ 565
Europe and CPF	467	84	134	76	65	7,785	243
Asia/Pacific	399	134	155	23	24	6,144	133
Latin America	389	109	141	64	28	4,969	172
Mining	451	60	90	250	27	3,212	545
Total Segments	2,644	651	790	687	159	33,419	1,658
Unallocated	73	(93)	61	1	1	1,529	—
Timing	(24)	(6)	—	—	3	17	2
Methodology	—	32	(50)	—	—	(61)	—
Inter-segment Eliminations	—	—	—	—	—	(169)	—
Total	\$ 2,693	\$ 584	\$ 801	\$ 688	\$ 163	\$ 34,735	\$ 1,660

  

<b>2011</b>	<b>Revenues</b>	<b>Segment Profit</b>	<b>Interest Expense</b>	<b>Depreciation on equipment leased to others</b>	<b>Provision for credit losses</b>	<b>Segment Assets at December 31, 2011</b>	<b>Capital expenditures</b>
North America	\$ 959	\$ 220	\$ 303	\$ 276	\$ 34	\$ 10,870	\$ 530
Europe and CPF	506	37	166	89	105	6,922	118
Asia/Pacific	333	113	129	16	28	4,600	42
Latin America	350	109	127	47	18	3,992	175
Mining	446	72	90	260	3	2,635	321
Total Segments	2,594	551	815	688	188	29,019	1,186
Unallocated	73	(92)	69	2	2	1,253	3
Timing	(22)	6	—	—	(13)	67	1
Methodology	—	33	(57)	—	—	15	—
Inter-segment Eliminations	—	—	—	—	—	(247)	—
Total	\$ 2,645	\$ 498	\$ 827	\$ 690	\$ 177	\$ 30,107	\$ 1,190

Inside and outside the United States:

(Millions of dollars)			
	2013	2012	2011
Revenues			
Inside U.S.	\$ 1,045	\$ 1,009	\$ 991
Inside Canada	329	330	324
Inside Australia	287	302	297
All other	1,124	1,052	1,033
Total	\$ 2,785	\$ 2,693	\$ 2,645
Equipment on Operating Leases and Non-Leased Equipment (included in Other Assets), Net			
	2013	2012	2011
Inside U.S.	\$ 1,437	\$ 1,204	\$ 1,046
Inside Canada	729	741	643
Inside Australia	434	341	295
All other	1,037	788	686
Total	\$ 3,637	\$ 3,074	\$ 2,670

**NOTE 16 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

(Millions of dollars)					
2013	First quarter	Second quarter	Third quarter	Fourth quarter	
Total revenues	\$ 680	\$ 695	\$ 699	\$ 711	
Profit before income taxes	\$ 185	\$ 141	\$ 164	\$ 204	
Profit	\$ 140	\$ 98	\$ 117	\$ 158	
2012	First quarter	Second quarter	Third quarter	Fourth quarter	
Total revenues	\$ 668	\$ 668	\$ 678	\$ 679	
Profit before income taxes	\$ 173	\$ 135	\$ 160	\$ 116	
Profit	\$ 122	\$ 98	\$ 114	\$ 94	
2011	First quarter	Second quarter	Third quarter	Fourth quarter	
Total revenues	\$ 640	\$ 675	\$ 668	\$ 662	
Profit before income taxes	\$ 114	\$ 151	\$ 122	\$ 111	
Profit	\$ 82	\$ 107	\$ 90	\$ 95	

**Caterpillar Financial Services Corporation**  
**COMPUTATION OF RATIO OF PROFIT TO FIXED CHARGES**  
**YEARS ENDED DECEMBER 31,**  
**(Unaudited)**  
**(Dollars in Millions)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Profit	\$ 513	\$ 428	\$ 374	\$ 278	\$ 259
Add:					
Provision for income taxes	167	145	109	40	45
Profit before income taxes	<u>\$ 680</u>	<u>\$ 573</u>	<u>\$ 483</u>	<u>\$ 318</u>	<u>\$ 304</u>
Fixed charges:					
Interest expense	\$ 734	\$ 801	\$ 827	\$ 917	\$ 1,048
Rentals at computed interest*	<u>6</u>	<u>6</u>	<u>5</u>	<u>6</u>	<u>5</u>
Total fixed charges	<u>\$ 740</u>	<u>\$ 807</u>	<u>\$ 832</u>	<u>\$ 923</u>	<u>\$ 1,053</u>
Profit before income taxes plus fixed charges	<u>\$ 1,420</u>	<u>\$ 1,380</u>	<u>\$ 1,315</u>	<u>\$ 1,241</u>	<u>\$ 1,357</u>
Ratio of profit before income taxes plus fixed charges to fixed charges	<u>1.92</u>	<u>1.71</u>	<u>1.58</u>	<u>1.34</u>	<u>1.29</u>

\*Those portions of rent expense that are representative of interest cost.

Amounts for 2013, 2012 and 2011 have been revised for immaterial corrections; amounts for 2010 and 2009 have not been revised.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-173364 and 333-191626) of our report dated February 18, 2014, except with respect to our opinion on the consolidated financial statements insofar as it relates to the effects of the revisions described in Note 1 to the consolidated financial statements and the matter described in the fourth paragraph of Management's Report on Internal Control Over Financial Reporting as to which the date is November 14, 2014, relating to the financial statements and effectiveness of internal control over financial reporting, which appears in Caterpillar Financial Services Corporation's Current Report on Form 10-K/A, dated November 14, 2014.

**/s/ PricewaterhouseCoopers LLP**

Peoria, Illinois

November 14, 2014



## SECTION 302 CERTIFICATIONS

I, Kent M. Adams, certify that:

1. I have reviewed this annual report on Form 10-K/A of Caterpillar Financial Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Date:** November 14, 2014

**By:** /s/ Kent M. Adams

Kent M. Adams, President, Director and Chief Executive Officer

## SECTION 302 CERTIFICATIONS

I, James A. Duensing, certify that:

1. I have reviewed this annual report on Form 10-K/A of Caterpillar Financial Services Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Date:** November 14, 2014

**By:** /s/ James A. Duensing

James A. Duensing, Executive Vice President and Chief  
Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Caterpillar Financial Services Corporation (the "Company") on Form 10-K/A for the period ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**Date:** November 14, 2014

/s/ Kent M. Adams

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Kent M. Adams

President, Director and Chief Executive Officer

**Date:** November 14, 2014

/s/ James A. Duensing

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James A. Duensing

Executive Vice President and Chief Financial  
Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.